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ABSTRACT

This document presents a management tool kit on training needs assessment and program design for countries in transition to a market economy. Chapter 1 describes the tool's development within the framework of the project called Strengthening of Partnership between Management Training Institutions and Companies, Ukraine-Kazakhstan-Kyrgyzstan. Chapters 2 through 7 discuss the following topics: (1) the management development framework's underlying principles and content, the different actors in management development, and the challenges faced by companies in transition economies; (2) the core processes of management development needs assessment (training needs assessment methodology; sources of information and analytical methodology; and interview methodology); (3) methods of defining and prioritizing training needs; (4) methods of designing, budgeting, and assessing training programs; (5) sample training programs for human resources management in a hypothetical company; and (6) the overall process of training planning, including selecting training providers and evaluating training impact. Eighteen figures are included. Appendixes constituting approximately 50% of the document contain the following items: (1) principles of success in project design and management; (2) the basis for assessing corporate operations in the New Independent States; and (3) an analytical framework for evaluating training and nontraining needs within companies in the New Independent States. Lists of acronyms, terms, 23 training publications and resources, and contacts are also included. (MN)

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COMPANION

# A management tool kit on training needs assessment and programme design

## An integrated resource for management development in transition countries

September 2002

European Training Foundation

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The European Training Foundation is an agency of the European Union which works in the field of vocational education and training in Central and Eastern Europe, the New Independent States, Mongolia and the Mediterranean partner countries and territories. The Foundation also provides technical assistance to the European Commission for the Tempus Programme.

*This tool kit was prepared with the financial assistance of the European Training Foundation. The views expressed herein are those of the contractor and do not necessarily represent any official views of the Foundation.*

COMPANION

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September 2002
European Training Foundation

A great deal of additional information on the European Union is available on the Internet.
It can be accessed through the Europa server (http://europa.eu.int).

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# Foreword

This management tool kit on training needs assessment and programme design is the result of a project that the European Training Foundation has conducted in Ukraine, Kazakhstan and Kyrgyzstan, which has brought training providers and companies together.

The unprecedented shift from a command to a market economy within the New Independent States (NIS) continues to provide the impetus for reform in the field of management training and development. For many years, the focus of reform has been primarily on upgrading domestic management training institutions and increasing the quality of training materials, techniques and applied methodologies. While institutions have strengthened their capacity and some offer management training of a high standard, their challenge is now to become more responsive to the needs of companies and to enhance the effectiveness of in-company management training.

Inside companies, staff development and training in accordance with strategic goals has not yet become a priority for many top managers in the New Independent States. Gaining the commitment of companies to continuous human resource and management development implies an increased understanding of the substantive contribution that training can make to fulfilling their goals and, eventually, to their growth.

Building competence on both sides, in identifying companies' actual training needs, in prioritising those needs in the light of their development plans, in furthering dialogue with training providers throughout the programme design phase and in focusing the company's management development plans can be a means of reinforcing the link between training and company development.

Along the lines of previous activities that the Foundation has undertaken, the practice of encouraging collaboration between training providers and recipients is intended to promote mutually beneficial partnerships, which bridge the divide that currently exists between training institutions and companies in many of the transition countries.

This document is part of a series of experiences and publications that the Foundation has realised in the field of management training and development, and more generally in the area of labour market related training, in the countries of Central and Eastern Europe and the New Independent States. Furthermore, it begins a series of handbooks, manuals, and reference books through which we intend to make available knowledge and know-how, methodologies and applied analysis to our partners and customers. Institutions and organisations, governmental and non-governmental bodies, professional associations, individual experts and networks in the partner countries, and those in the European Union with whom they co-operate, are the Foundation's partners and we are pleased to share our experience and knowledge with them.

Peter de Rooij
Director

# Table of Contents

**Foreword** ..... **v**

**Table of Contents** ..... **vii**

**Table of figures** ..... **x**

**1 Introduction** ..... **1**

**2 The management development framework** ..... **7**

**3 Management development needs assessment** ..... **11**

3.1 Training needs assessment methodology ..... 11

3.1.1 Implementation of a gap analysis ..... 12

3.1.2 Identification of causes of performance problems and opportunities ..... 15

3.1.3 Identification of priorities and importance ..... 15

3.1.4 Identification of possible solutions and growth opportunities ..... 15

3.2 Sources of information and analytical methods ..... 16

3.3 Interview methods ..... 17

**4 Defining and prioritising training needs** ..... **21**

4.1 Critical factors in determining training priorities ..... 22

4.1.1 Strategic importance ..... 22

4.1.2 Cost effectiveness ..... 23

4.1.3 Resource availability ..... 23

4.1.4 Target group suitability ..... 23

4.1.5 Customer expectations ..... 24

4.1.6 Legal or financial requirements ..... 24

4.2 Defining priorities by site, hierarchy, unit or individual ..... 25

4.3 Defining priorities by time horizon ..... 25

4.4 Training prioritisation methodology ..... 25

4.4.1 Summarise strategic objectives and planned activities ..... 26

4.4.2 Determine training inputs in support of strategy ..... 27
4.4.3 Determine other human resource inputs ..... 29
4.4.4 Determine organisational development inputs ..... 30
4.4.5 Determine staff involvement in training ..... 31
4.4.6 Rank by priorities ..... 33

**5 Training programme design ..... 37**
5.1 Course title ..... 37
5.2 Management summary ..... 37
5.2.1 Summary of training needs identified ..... 37
5.2.2 Objectives of the training programme ..... 38
5.2.3 Target group ..... 38
5.2.4 Duration and timing ..... 39
5.2.5 Training methodology ..... 39
5.2.6 Training materials ..... 39
5.2.7 Facilities and equipment ..... 39
5.2.8 Trainer ..... 39
5.2.9 Programme co-ordinator ..... 39
5.2.10 Corporate participants ..... 39
5.2.11 Required follow-up ..... 40
5.2.12 Programme budget ..... 40
5.3 Training content ..... 40
5.4 Assessment and evaluation methodology ..... 41
5.4.1 Corporate assessment ..... 41
5.4.2 Individual assessment ..... 41
5.4.3 Course evaluation ..... 41
5.4.4 Trainer evaluation ..... 42
5.5 Programme budget and resources ..... 42
5.6 Qualifications and profile of the training provider ..... 42

**6 Sample training programme ..... 43**
6.1 Management summary ..... 43
6.2 Training content ..... 45
6.3 Evaluation and assessment ..... 46
6.3.1 Corporate and individual assessments ..... 46
6.3.2 Course evaluation ..... 46

6.4 Budget and resources ..... 47
6.5 Qualifications of the training provider ..... 48

**7. Training planning ..... 49**
7.1 Training programme budgeting and resource allocation ..... 49
7.1.1 Long-term budget allocation ..... 49
7.1.2 Short-term (project-based) budget allocation ..... 50
7.1.3 Monitoring financial performance ..... 52
7.2 Selecting a training provider ..... 52
7.2.1 Applicability of training materials and methods ..... 53
7.2.2 Training company and individual qualifications ..... 54
7.2.3 Training references ..... 54
7.2.4 Value for money ..... 55
7.2.5 The tendering process ..... 55
7.3 Selection, scheduling and logistics ..... 57
7.3.1 Participant selection ..... 57
7.3.2 Scheduling and organisation ..... 57
7.3.3 Facilities, logistics and equipment ..... 58
7.4 Programme assessment, evaluation and follow-up ..... 58
7.4.1 Training assessment ..... 59
7.4.2 Training evaluation ..... 62
7.5 Measuring return on investment of training ..... 64

**Annex I**
**Principles of success in project design and management ..... 71**

**Annex II**
**The basis for assessing corporate operations in the New Independent States ..... 81**

**Annex III**
**The analytical framework ..... 85**

**List of acronyms ..... 131**

**List of terms ..... 133**

**List of training publications and resources ..... 135**

# Table of figures


Figure 1: Factors affecting corporate operations in the New Independent States ..... 7

Figure 2: The management development cycle ..... 8

Figure 3: Gap analysis ..... 11

Figure 4: Sample interview guidelines ..... 19

Figure 5: Major strategic objectives and activities to 12/2003, Kyiv Distillery ..... 26

Figure 6: Training inputs, Kyiv Distillery ..... 27

Figure 7: HR inputs, Kyiv Distillery ..... 29

Figure 8: Organisational development inputs, Kyiv Distillery ..... 30

Figure 9: Initial staff involvement according to main training areas identified ..... 31

Figure 10: Revised staff involvement according to main training areas identified ..... 32

Figure 11: Sample training priority ranking, Kyiv Distillery ..... 34

Figure 12: Detailed training priority ranking, Kyiv Distillery ..... 35

Figure 13: Training programme outline ..... 38

Figure 14: Sample training content for branding strategy, Kyiv Distillery ..... 41

Figure 15: Sample training budget ..... 47

Figure 16: Sample evaluation questionnaire ..... 64

Figure 17: Sample organisational structure ..... 89

Figure 18: The strategic human resources management process ..... 116

# 1 Introduction

The process of management development is an integral part of both enterprise restructuring and ongoing corporate growth, as well as the wider economic and political transition taking place in Central and Eastern Europe and the New Independent States. As such, it is a critical process for the individual or group of individuals involved, for the development of the company for which they work and for the wider socio-economic area in which development is taking place.

The main sources of expertise and resources for management development in Central and Eastern Europe and the New Independent States are usually divided into four categories:

- *In-company management training units*, which are usually prevalent in multinational companies such as Coca Cola, Unilever or similar enterprises
- *Business schools*, that offer a range of both degree programmes such as the Master's of Business Administration (MBA) or the Master's of Management as well as executive education or specialised training programmes
- *Management consultancies*, that offer ad-hoc or regular training programmes, or implement enterprise restructuring projects in which management development plays a key role, and
- *Grant-financed technical assistance programmes*, such as those implemented by the European Commission's Phare or Tacis Programmes, USAID's CARANA programme, and others

While generic or standardised management development offerings are well-established, the process of designing and implementing customised programmes within a specific company is often less well handled. Many training or consultancy providers apply (or re-apply) standard curricula without implementing a rigorous needs analysis or assessment of corporate requirements. Similarly, many companies choose training programmes or management development curricula based on a review of what is offered in their particular region, rather than what is actually needed by their managers.

This management tool kit is intended as a planning resource for corporate managers, business schools, consultants and trainers interested in designing, implementing and monitoring management development programmes. It has been designed with the needs of companies in Central and Eastern Europe and the New Independent States foremost in mind, and is based on lessons and experience from the region in the first decade since the fall of the Berlin Wall and the collapse of the former planned economies.

The tool kit was developed within the framework of the project "Strengthening of Partnership between Management Training Institutions and Companies, Ukraine – Kazakhstan – Kyrgyzstan". It is part of a series of contributions from the European Training Foundation (ETF) to management development, and builds upon several important projects, including:

- *Re-designing Management Development in the New Europe: Report of the Torino Group*, European Training Foundation, 1998
- *Assessing Management Training Needs in Central and Eastern Europe: Survey of Selected Enterprises in the Moscow and Urals Regions, Russian Federation*, European Training Foundation and CEEMAN, 2000
- *Kyrgyz Enterprise Study: Report from the Training for Enterprise Development Project*, European Training Foundation, 2000
- *Assessing Management Training Needs in Central and Eastern Europe: Survey of Selected Enterprises in Ukraine*, European Training Foundation and CEEMAN, 2002

## *How the management tool kit was developed*

The management tool kit was developed as part of a consultancy programme funded by the ETF entitled "Strengthening of Partnership between Management Training Institutions and Companies". The project focussed on Ukraine, Kazakhstan and Kyrgyzstan, and was implemented by the DEMOS Group S.A. of Paris and NAVIGATOR Development Consulting International Ltd. of Athens.

Four leading management training institutions were selected from the countries in the region: Kiev Mohyla Business School; the Dnepropetrovsk Academy of Business, Management and Law; the International Academy of Business of Almaty; and the Academy of Management of Bishkek. In a next step, ten companies were selected to serve as a test case for diagnosing training and management development needs, and thus forming the basis for the approach featured in the management tool kit. These companies as well as all participating trainers are found in the contact list at the end of this document.

Teams of EU consultants and trainers from the region implemented comprehensive needs analyses within the 10 companies. From this, it was possible to recommend detailed training needs and programmes. These needs were presented to each company in a management conference and a detailed report.

It is this process of analysing management development, training and organisational development needs that is documented in this tool kit. While this process has often been applied in a variety of in-company development situations, it has rarely been documented in an operational, "hands-on" manner specifically for company managers and management training institutions.

## *The target group*

The management tool kit is intended as a planning resource for corporate managers, trainers and consultants to support the design and implementation of in-company management development and wider strategic human resources management programmes. While management development can take many forms, the main form addressed in this tool kit is that of management training.

This tool kit has been developed for use in transition or developing economies, and specifically for companies operating in the New Independent States. There are four key publics for the tool kit:

- Corporate executives and top-level managers who have decided to embark upon a management development programme
- Corporate unit managers or directors that are responsible for the design and implementation of the programme
- Managers of training institutions as well as individual trainers interested in offering customised services to companies
- Consultants, officials of international development programmes and other people involved in either offering services or contracting services in the field of in-company management development

The tool kit does not presume an extensive prior knowledge of management development, strategic human resources management or other discipline. It is intended as a practical guide to defining and implementing such programmes, taking the needs of a specific enterprise and management group into account.

## *Using the tool kit*

The tool kit comprises seven core chapters:

- Chapter two describes the **management development framework** and establishes the basic terms, understanding and processes of the tool kit. It also describes the different actors in management development, the challenges faced by companies in the transition economies in Central and Eastern Europe and the New Independent States, the role of business schools and other management training institutions, as well as other points.
- Chapter three outlines the process of **management development needs assessment** and describes three core processes: training needs assessment methodology; sources of information and analytical methodology; and interview methodology. This section is of

interest for corporate managers, trainers and consultants designing a needs analysis process. This section should be linked to Annex III: the analytical framework, which offers advice on what elements of corporate strategy, organisational structure or business processes should be analysed.

- Chapter four explores methods of **defining and prioritising training needs**. This is a critical area of training needs analysis and prioritisation, and the contents are intended to be as practical and applicable as possible.
- Chapter five, **training programme design**, outlines methods of designing, budgeting and assessing training programmes. A format (figure 13) has been developed for use by trainers, consultants and companies in defining the contents, budget, target groups and curricula of training programmes. It also includes an assessment and evaluation component as a standard part of any training programme.
- Chapter six gives a **sample training programme** for human resources management for a hypothetical company.
- Chapter seven reviews the process of **training planning**, including costing and budgeting, evaluation, monitoring and assessment. This includes sections on selecting training providers and evaluating training impact, which are critical to ensuring the short and long-term success of any training programme.

The tool kit also has three annexes:

- Annex I: **Principles of success in project design and management**, outlines methods of designing and implementing a management development project. It covers the roles of different parties, including corporate managers and training institutions.
- Annex II: **The basis for assessing corporate operations in the New Independent States**, reviews some common issues affecting the operations of a "typical" company in the New Independent States, and warns against complacency or a theoretical approach to analysing training needs.
- Annex III: **The analytical framework**, presents some elements that should be analysed during the course of an in-company needs analysis or gap analysis. These elements include corporate strategy, organisational structure, and main management functions as well as the human resources system at work within a company. Trainers and consultants are free to choose from, adapt and add to these elements as needed.

It is hoped that this tool kit will complement, guide and support company managers, HR directors, trainers and consultants in designing and implementing in-company management development and training programmes. The tool kit is very much a work in progress, and will be updated to reflect ongoing work done by the ETF as well as comments from other parties.

# *About the authors*

The management tool kit was developed on behalf of the European Training Foundation by Philip Ammerman, a partner of the NAVIGATOR Consulting Group (www.navigator-consulting.com). The European Training Foundation has made a considerable contribution to the preparatory and conception work on this tool kit, particularly through its studies on management training in the New Independent States. This is one of a series of publications produced by the Foundation in order to promote and improve management development in transition countries.

Mr. Ammerman specialises in enterprise restructuring and development, and has implemented numerous projects in Central and Eastern Europe and the New Independent States for the European Commission, the European Bank for Reconstruction and Development, the World Bank, sectoral organisations and the private sector.

The tool kit is the result of a broad collaboration between consultants, trainers, university lecturers and other participants, and was tested in a group of ten companies between May and October 2001 in the three countries. A list of participants in the ETF project is given below, contact details can be found at the end of this publication.

The author would like to thank Tatyana Trofimova of the ETF for providing rigorous and helpful guidance in the tool kit development process. He would also like to thank Joseph Prokopenko and the contributors to *Management Development: A Guide to the Profession* (ILO, 1998); to Michael Armstrong, author of *A Handbook of Human Resource Management Practice* (Kogan Page, 1999) and the Society for Human Resource Management (SHRM).

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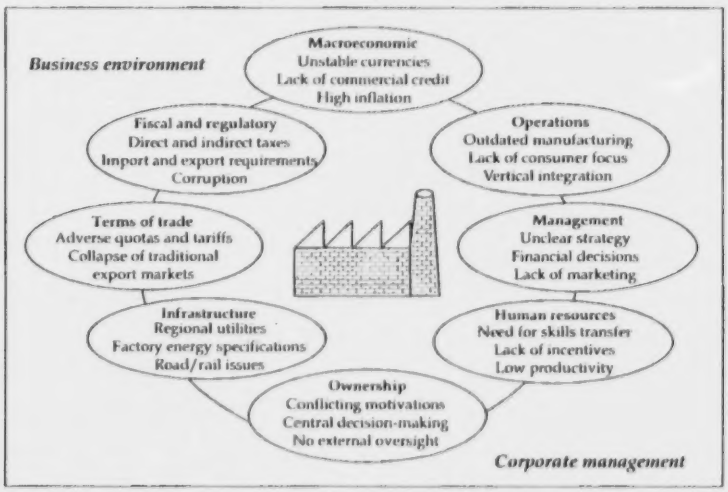
# 2 The management development framework

Companies operating in the New Independent States today face a significant array of challenges, ranging from inefficient technologies and infrastructure to hostile tax and fiscal regimes. Extensive research on the business environment and its impact on enterprises has been carried out by a variety of authorities, including the ETF[1], EBRD[2], the Economist Intelligence Unit[3], the Bank of Austria[4], and others.

Given these environmental and operational challenges, it is not surprising that the attention focussed on management development has been extremely limited, and usually takes a distant place behind technological investment or marketing spending. Even when resources are available, there is often a lack of qualified training or management development providers, which creates difficulties in ensuring the proper supply of expertise.

***Figure 1: Factors affecting corporate operations in the New Independent States***




1 Filonovich, S., *Assessing Management Training Needs in Central and Eastern Europe: Survey of Selected Enterprises in Moscow and the Urals Region, Russian Federation*, European Training Foundation, Torino, and CEEMAN, Bled, 2000

2 Carlin, W., Fries, S., Schaffer, M., and Seabright, P., *Competition and Enterprise Performance in Transition Economies: Evidence from a Cross-Country Survey*, EBRD, London, 2001

3 Economist Intelligence Unit, *East European Investment Prospects*, London, 2001

4 Bank of Austria, *CEE Report*, Austria, 2002



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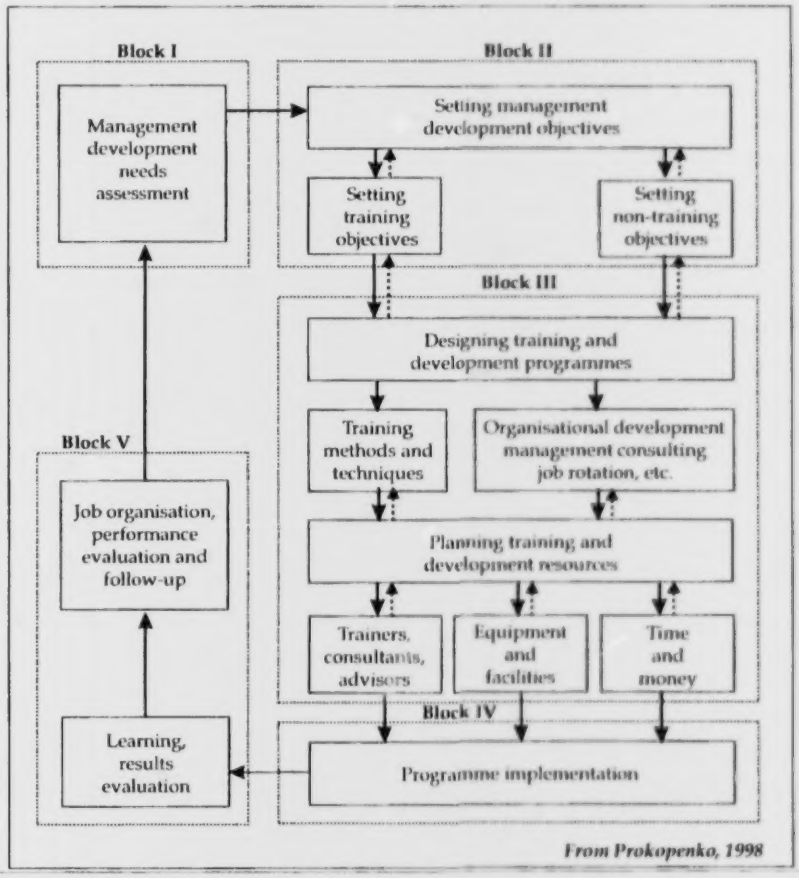
This shortfall has been quantified in several studies. The National Observatory *Kyrgyz Enterprise Study* (2000), for instance, interviewed some 200 Kyrgyz enterprises in a variety of sectors. Most of these enterprises were SMEs. Some salient findings include the fact that 75% of enterprises do not have a training plan and 73% have no special budget for training. More seriously, some 72% of enterprises do not acknowledge skills shortages, indicating that managers may not be aware of the skills required in a modern enterprise[5].

The challenge affecting the development of human resources in the New Independent States is therefore not only technical in nature (i.e. lack of resources, lack of training providers, etc.) but also management-oriented: there is a real need for change in the way managers and owners view and develop their staff.

***Figure 2: The management development cycle***




5 National Observatory of Kyrgyzstan, *Kyrgyz Enterprise Study: Report from the Training for Enterprise Development Project*, European Training Foundation, Torino, 2000



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The term "management development" is used to describe a planned and continuous process of development of managers' abilities, skills and attitudes designed to improve the performance of companies and assess the achievement of their strategic goals. According to Prokopenko (1998), the main features of the management development process are:

- The orientation towards the resolution of concrete problems of company activities
- The organisation of training as part of the development process of a company in general
- The combination of training with other "non-educational" methods for increasing the managerial competence of managers
- The adaptation of training programmes to the specific needs of enterprises and the use of new training methods and techniques

Due to internal and external change, enterprises do not remain static. Corporate managers must be able to continually adapt their skills and abilities to changing requirements. It is the gap between today's level of managerial competence and performance and the future demands likely to be made on management that defines training and development needs.

As such, this tool kit offers some solutions for bridging the gap between the often theoretical or academic approach to training adopted by training institutions, and the real corporate needs seen in all economic sectors in the New Independent States.

As indicated above management development is a part of the overall HR management process. At the same time successful management development activities should constitute an entire process within their internal logic and links. Management development is not limited to training. However the training activities form an important part of it.

The specific content of the training cycle includes:

- Analysis of corporate training needs
- Design of in-house training programmes
- Development of training materials
- Budgeting and resource allocation
- Identification and selection of training providers
- Training implementation
- Evaluation and assessment of training impact

While this approach is not limited to the top or senior management level of the organisation, the primary focus of this tool kit is on this level, as well as on key specialist personnel at the departmental or unit level. It does not refer to technical or vocational training or development of line staff.

This tool kit is intended as a guide or planning resource. It is not intended to offer the perfect approach to management development and/or training, but to support planned or ongoing efforts through practical and focussed suggestions. In many cases, the tool kit recommends external methodologies or publications for the reader to reference: this is not an exhaustive list, and there are certainly other excellent resources available.

The tool kit has been developed with the specific needs of business schools and other academic institutions in mind. Business schools are playing a leading role in the New Independent States' transition from planned to market economies. Besides their activities at the forefront of management education and development, they constitute an important nexus between international companies and development organisations on the one hand and potential sources of expertise and external recruitment on the other.

The importance of business schools has been confirmed both by a number of international projects financed via the EU Tacis Programme or USAID, as well as via direct grants and sponsorships from companies.

The European Training Foundation and other organisations see a major potential for business schools to offer management development services directly to companies. This would have the dual benefit of both supporting corporate development and restructuring, as well as providing an important field of operations for the institutions. While this approach has been adopted and accepted in the west, the take-up in the New Independent States is still limited, primarily due to lack of time and other resources.

It is hoped that this tool kit and the experience of the four institutions in the project will constitute a replicable example on how business schools can interact with the corporate sector, and will provide both practical tools as well as experience on how to further develop such co-operation.

# 3 Management development needs assessment

## 3.1 *Training needs assessment methodology*

The objective of a training needs assessment is to determine the current situation in a company and compare it with the planned or desired situation. This is a comprehensive process that usually involves four main steps:

Implementation of a gap analysis

Identification of causes of performance problems or performance opportunities

Identification of priorities and importance

Identification of possible solutions and growth opportunities

This chapter will describe various general objectives within these four steps, while Annex III, the **analytical framework**, presents some specific methodological elements for analysis within the main corporate functions.

*Figure 3: Gap analysis*

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### *3.1.1 Implementation of a gap analysis*

A gap analysis compares the current situation within a company to the planned situation, as expressed through owner motivations and objectives, the corporate strategy, the business plan and general business development conditions. The success of a gap analysis will depend on:

The extent to which a trainer or consultant is able to accurately diagnose the situation within the company

The extent to which the corporate managers or owners will be able to realistically and accurately describe their business objectives, strategies and specific business plans

The degree of success in implementing these plans, taking into account external factors such as competition, consumer tastes, pricing, inflation, terms of credit, changes in distribution structures, product life cycles, and similar issues

The future situation should be placed within a specific time frame, usually from 4 -- 24 months. Given that the business cycle in the New Independent States is much more rapid than that in western Europe, this should be a realistic time frame.

Obviously, it is impossible to quantify a future situation with 100% accuracy. However, it is possible to make a fairly accurate prediction given that much of corporate strategy in the New Independent States depends on investment in physical assets or capacity. Most owners and managers will be able to describe with detailed accuracy their plans to order new machinery from Germany, to open a distribution centre in a neighbouring city, to set up an export marketing operation, etc.

The exception to this is if a company is losing money, is heavily indebted, or still has an "old" style of management that is incapable of calculating the return on an investment with any degree of accuracy. Such a situation, however, has its own gap analysis scenarios, which could be predicated on a turn-around management situation, an equity sale, the search for emergency loan funding, etc.

There are always two components to the gap analysis:

- *Training needs*, which comprise clearly-identifiable training requirements, either through in-company training, external training, etc., and
- *Non-training needs*, which include a wide variety of inputs, including human resources development in the form of the design of incentive systems, compensation systems, etc; organisational development inputs such as recruitment or addition or business functions and staff position, etc.

This tool kit focuses on training needs. However, training requirements may be significantly affected by corporate non-training needs. For instance, a company that is not compensating its key managers appropriate to market standards and to their performance cannot expect training to solve all issues relating to efficiency or productivity. Similarly, if an organisational position or business process does not exist or is not adequately resourced, no amount of training will solve the problem. Depending on the terms of reference of a specific project, it may be important to document non-training needs to ensure that a potential management development project does not occur within an organisational vacuum and results in failure.

In implementing a gap analysis, it is usually necessary to delineate between three hierarchical levels:

- The *corporate* level, affecting the human resources policies and skills needed by the entire company
- The *departmental or unit* level, comprising the needs and priorities of a specific unit or department
- The *individual* level, including individual or personal training needs, requirements and performance

Each level will affect the form and content of a training programme. Individual training needs, for instance, may be better handled through attendance at an external training programme rather than the development of a customised training programme for a single staff position. The requirements of a department or unit may include training for several staff grades or ranks, while a corporate training programme may focus on specific ranks, e.g. departmental manager.

The starting point of the analysis are the management objectives, corporate strategy and specific business plan, covering a discrete future period. In many cases, a formal business plan may not exist, in which case the major source of strategic guidance will be the owner's objectives or plans.

Such objectives may also be difficult to quantify. In this case, it is useful to start out the interview process by focussing on specific achievements the company is aiming at, such as:

- Market share or sales levels
- Investment in new production facilities or equipment
- Launching of new products
- Opening new regional or export markets

It is often much easier to get a vision of where the company is going by analysing such issues, from which a resulting picture of corporate functions and organisational issues can be developed. For instance, a major fruit juice producer in Kazakhstan claimed to have detailed business plans and corporate strategies for its corporate growth over the next 12 months. It was reluctant, however, to disclose these to the trainers involved in the programme for competitive reasons.

In order to solve the impasse, it was possible to make a list of major achievements the company had set for itself on a very general level, such as:

- Investment in a new fruit juice packaging facility, doubling production capacity
- Expansion into a regional market through a joint venture with a distributor
- Investment in dairy production

Using these three objectives as the basic priorities, the trainers were able to implement the gap analysis taking into account the likely future training needs and wider organisational development needs of the company.

The gap analysis should focus on corporate functions and structure with an emphasis on training and non-training needs. The objective is not to criticise or improve a specific function, e.g. marketing, but to see how the marketing function requires improvement through HR to meet corporate strategic objectives. Furthermore, the objective is not to end the project at the needs analysis, but to be able to recommend specific solutions. This is a crucial distinction that often provokes debate in academic circles.

Annex III presents an **analytical framework** for evaluating corporate strategy, organisational structure and staff distribution, business processes and human resource functions. This framework is intended as a guide for the gap analysis. Trainers and consultants are invited to adapt this to their own specific needs, and to add their own methodologies or tools as needed.

Prior to starting the gap analysis, it is important that the expectations of the analysis are established first. Clearly, companies do not operate in the ideal sense that are portrayed in business school case studies or management textbooks. Trainers should understand that each company has its own unique way of doing business, and that companies operating in the New Independent States face a staggering array of challenges. It is recommended that trainers embarking on their first in-company analysis take the time to refer to Annex II: **the basis for assessing corporate operations in the New Independent States**, as well as to the large body of work that has already been carried out by multilateral institutions, donor organisations, business schools and others.

### 3.1.2 *Identification of causes of performance problems and opportunities*

Once the gap analysis has been completed, it is necessary to identify the specific causes of problems and opportunities. This identification is needed primarily to establish whether the problem is a result of an organisational or resource issue, or an issue of human resources. If it is the latter, the consultants and corporate managers will have to determine whether this is a result of:

- A lack of skills/knowledge
- A lack of pay, motivation or incentives
- A lack of responsibility or empowerment
- A lack of suitability for the task at hand

The identification of causes is a major pre-requisite for the final stage of needs assessment: identification of solutions and growth opportunities.

### 3.1.3 *Identification of priorities and importance*

The outputs of the gap analysis and problem identification should include a comprehensive list of training, "non-training" (human resources) and organisational changes that are required to meet the strategic objectives of the company. This tool kit focuses primarily on the definition of training needs, the planning of training programmes, and the development and implementation of training curricula. However, a good trainer will be able to indicate other required inputs or improvements to the broader HR and organisational functions of the company. Detailed methods for identification of priorities and importance are given in chapter four.

### 3.1.4 *Identification of possible solutions and growth opportunities*

Finally, the analysis should result in specific recommendations for solutions. For clarity, it is recommended that these be divided into various categories, e.g. *organisational development, training, recruitment,* and others as the project requires. This will depend on the scope of the project as well as the required resource level and timeline of implementation. Some specific examples are given in chapter four.

## 3.2 *Sources of information and analytical methods*

In implementing a gap analysis, multiple methods of analysis and research are needed to gain a balanced, objective picture of management development and HR needs in a company. These include three basic methods or sources of information:

| Secondary research/ Document reviews | In-company interviews | External interviews |
|---|---|---|
| Review of corporate documents such as:<br>• Strategy<br>• Business plan<br>• Organisational structure<br>• Job descriptions<br>• Performance reviews<br>• HR surveys | Interviews with main staff/ executive positions required by project. Examples:<br>• Shareholder/president<br>• CEO/director<br>• Director of marketing<br>• Brand manager | Interviews with potential external partners who can evaluate staff and corporate performance. Examples:<br>• Customers<br>• Training providers<br>• Consultancies |

Some additional general techniques include:

- Direct observation
- Questionnaires
- Consultations with staff in key positions
- Focus groups
- Tests
- Work sample reviews

Each of these techniques has its own positive and negative aspects in the New Independent States:

| Method | Positives | Negatives |
|---|---|---|
| **Direct observation** | • A staff person or unit can be evaluated "on the job" – evaluation will be more accurate and uninfluenced by intermediaries | • This method may be better suited to a production worker or a sales manager<br>• This method may have negative connotations for historical reasons<br>• Practice may be different from western norms |



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| Method | Positives | Negatives |
|---|---|---|
| **Questionnaire** | • A person deliver answers at his/her own pace<br>• Results can be kept confidential<br>• Quantitative and qualitative methods of evaluation can be used | • Again, written answers may not be useful due to negative historical connotations<br>• There may not be sufficient experience to make an objective evaluation: this is often seen with quantitative surveys |
| **Consultations with staff in key positions** | • It is possible to get opinions of people who work directly with someone, or supervise someone | • Opinions may be affected by personal likes/dislikes |
| **Focus Groups** | • Structured events can give balanced input in a structured environment | • People may be reluctant to speak out on a subject, for fear of consequences |
| **Tests** | • Specific individual skills can be tested | • This practice is so uncommon in the New Independent States that results may be misleading or even harmful |
| **Work Sample Review** | • Allows evaluation of written work, and therefore overall performance | • May not be representative of overall work, particularly given the common lack of information systems or reluctance to keep some things on paper |

## 3.3 *Interview methods*

A particularly effective method of analysis is the personal interview. An interview usually lasts between 45 and 90 minutes, depending on the amount of time available and degree of empathy and rapport established. The following rules for implementing an interview have been found to be useful in the New Independent States environment:

- Ensure that the corporate or unit director supports the interview process in a positive light
- Assure the interview partner that the results are confidential
- Relate the purpose of the interview to the overall benefit to the company



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- Indicate that the interview partner's opinions are valued and will have a real impact on the project
- Indicate that there will be direct results, e.g. training needs will be quantified - training programmes will be defined - training will occur - performance will improve, etc.

In implementing the interview, be sure to:

- Listen to the interview subject: allow him or her time and space to express an opinion
- Ask direct questions or steer the conversation when needed
- Do not ask leading questions or questions which can have only one possible correct answer
- Empathise, maintain eye contact, encourage the interview subject

Remember, the interview subject has his/her own beliefs and ways of doing things. It is more important to get a complete picture of his/her activities, qualifications, role in the organisation etc. than to form an immediate judgement. The judgement will come later, after further analysis. Do not take a hostile, interrogatory or excessively academic or theoretical approach.

Some additional advice is to start the interview on a general level, and then drill down to ask about personal opinions and qualifications. Starting with "big picture" questions allows your respondent to speak about issues which do not affect him/ her on an immediate basis, and to get comfortable with you, the interviewer. It also establishes the relevance of the respondent's tasks and responsibilities to the larger issue of improving corporate competitiveness.

It is often helpful to prepare an interview guideline as a means of guiding the discussion. Specific research components have been included in each part of chapter four under the "checklist" section of implementing corporate functional analysis.

Caution should be taken in the application of closed or "quantitative" questionnaires in the New Independent States. A good example of this is seen in customer satisfaction surveys, where the maximum positive value is usually given, simply because of the lack of experience with alternative suppliers, or a reluctance to criticise valued commercial partners. However, there are specialised approaches that take such cultural issues into account. The consultant/trainer should verify whether or not the methodology is appropriate and will render usable, unbiased results.

Interview guidelines should not be followed too strictly if the respondent answers a particular question openly and wants to discuss some specifics in more detail: the conversation should be allowed to flow naturally. The interviewer should remain in control of the interview, however, and should steer the respondent back onto track if he/she wanders.

A sample open-question interview form is given on the following pages: each specific project should have its own interview template or templates. These forms should be agreed upon in advance and in some cases may have to be cleared with corporate management.

***Figure 4: Sample interview guidelines[6]***

## Staff Interview Guideline
### Kyiv Distillery Company

This document comprises a confidential interview record completed by _____ (training institution name) within the framework of contract no. __: Human Resources Development of Kyiv Distillery Company. All information presented here is confidential and not to be released by _____ (training institution name) to any other parties in its original form

| | |
|---|---|
| Name: | (interview partner name) |
| Position: | Portfolio Manager, Marketing and Sales Department |
| Date and time: | Monday, 23 September 2001 |
| Place: | Subject's Office |
| Interviewed by: | (trainer name) |

**Introduction:**

As you have heard, (training institution) is implementing a human resources survey of "Kyiv Distillery Company". The objectives are to help the distillery to improve the performance of its staff by analysing training needs, defining training programmes, and implementing them. Our work will be carried out at the company over the next four months, and we are hoping to be able to work closely with you and other staff members in the marketing department.

The purpose of our interview is to get your opinion on how the company is organised and how it could improve its operations. A key part of this is to understand what your own work responsibilities are, and how these could be improved. All information is treated confidentially: while we report general results back to the company, we do not attribute specific names or opinions to the conclusions we report.

**Task Description**

So let's start off by describing your own position and responsibilities. Could you give us a short description of your overall and day-to-day responsibilities?

Do you have a formal job description? Does this description describe your current responsibilities accurately?

What is Kyiv Distillery's portfolio strategy? Is this part of a general marketing strategy?

Who are your customers?

Who are your competitors?

What are the main developments in the alcoholic drinks sector in Ukraine?

What are some of the main challenges to you personally in your job?

6 In this tool kit, we will use the hypothetical example of the Kyiv Distillery Company. This company is used as an example only: it does not exist, nor is it based on any existing company.



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**Sample interview guidelines (continued)**

| **Staff Interview Form: Kyiv Distillery**<br>Interview Partner: Mr. _____ |
|---|
| Does your job give you the responsibility you need? |
| In order to make a decision, how many people senior to you must you consult in your company? Junior to you? Equivalent in rank to you? |
| What is your own background in sales and marketing? |
| Is your work mainly here at headquarters? Do you get out in the field from time to time? |
| Do you meet with your clients at all? What kind of contact do you have with them? |
| How do you keep up to date with developments in your sector? |
| What is your own background in sales and marketing? (discuss in terms of academic qualification and work experience, including experience at other companies) |
| Is there an HR system at Kyiv Distillery? |
| Do you have a formal career plan or professional development plan? |
| What is the compensation system like at Kyiv Distillery? |
| Is there a performance incentive? |
| How does Kyiv Distillery compare with its competitors in terms of compensation? |
| Has anyone ever tried to recruit you from another company? |
| What would be the main decision-factor for accepting another job? |
| Is there a performance review system? Does someone evaluate your performance? |
| Do you ever see yourself working in another position at Kyiv Distillery? If you could rotate positions, which position would you like to hold? |
| Have you ever participated in any training programmes? Please describe. |
| Does Kyiv Distillery have a training policy or training budget? Have there ever been training programmes offered within the company? |
| Do you think training would improve your performance? Please describe. |
| If you could participate in one training programme in the next four weeks, what would the subject be? |
| Have you heard of any good training providers in Ukraine? |
| If you could change three major aspects of your current job in the next 2 months, what would they be? Any aspects.... |

This concludes the interview. Thank you very much for your time and co-operation. We will be continuing the interviews over the next __ days, and will start the analysis after that. We hope to finish the project by ____.

# 4 Defining and prioritising training needs

The gap analysis is the first step in the process of defining training and non-training needs. Once the analysis is complete, it is important to:

- separate training and non-training needs
- define the causes of the training and non-training problems or issues
- identify the priorities and importance of each of the needs, and
- identify solutions and growth opportunities

The tool kit will focus on training needs identification and prioritisation in this chapter. It is obviously important to link training with non-training needs depending on priorities. For instance, it is not possible to hold training on reducing the defect rate in a manufacturing process if this is dependent on first purchasing and installing new production equipment.

The definition and prioritisation of training needs is therefore a complex issue, and is affected by a number of **critical factors**:

- Strategic importance
- Cost effectiveness
- Resource availability
- Target group suitability
- Customer expectations
- Legal requirements

In addition to strategically critical factors, there is often a *hierarchical or organisational distributive element* involved, as different executive levels or organisational units will have different requirements and priorities. Another crucial element is the *time horizon*.

It is necessary to define these elements in advance, which will assist the design and use of a *training prioritisation methodology* or matrix that will assist the decision-making process.

In each case, the trainer/consultant will have to be able to justify the main priority findings, the methods used to reach these finding and the potential impact on the target group and corporation as a whole.

Each element is further analysed in this chapter, before exploring the specific design of training programmes in chapter five.

## 4.1 *Critical factors in determining training priorities*

Resources of both time and money are limited in any company. Any identification of training needs and subsequent prioritisation must be implemented taking these resource limitations into account. Unless the trainer/consultant is given a specific focus or preference by the client, the determination of training priorities should include the following factors:

### 4.1.1 *Strategic importance*

If a company is going to implement a major strategic expansion or activity within the next 4 to 8 months, this will usually assume a critical importance in determining training priorities. Some examples include:

- Expansion into dairy processing, sales and distribution
- Development of a sales and distribution network in central Russia
- Investment in own-label manufacturing of alcoholic products
- Application for ISO 9000 quality management system

All of these strategic priorities would lead to a direct priority in terms of corporate training. For instance, the company expanding into dairy processing, sales and distribution would need immediate training in developing the corporate marketing approach, the brand image, pricing and distribution requirements, etc.

In contrast, there are also strategic priorities that may be longer-term in terms of impact. Some examples of these priorities are:

- **Listing on the NASDAQ**: an intermediate training priority would be to train key staff in GAAP accounting practice and improve the transparency in shareholder reporting
- **Developing a joint venture with an international partner in the field of contract manufacturing**: the training priority here might be in negotiation, languages and business planning

While the strategic prioritisation of training needs is often the most important, it will also be affected by the other factors discussed in this section.

### 4.1.2 *Cost effectiveness*

A cost-benefit evaluation of training should always be carried out. This is usually a major decision in deciding to train people up to a certain level, or simply recruiting a more experienced specialist or even in-house trainer. Some examples seen from Kazakhastan:

- Cost of training consultancy, three day training programme on marketing: 10,000 fees only
- Cost of recruiting an experienced marketing specialist (estimated): 1,000/ month
- Cost of recruiting a permanent, in-house trainer (estimated): 450/month
- Salary of sales agent: 350/month

Measuring cost effectiveness in this situation may therefore conclude that it is cheaper to employ a full-time marketing specialist or an in-house trainer, rather than go for an external, one-off training event. This is particularly the case, given that the impact or effectiveness of training may be difficult to determine (see chapter seven).

### 4.1.3 *Resource availability*

Related to the issue of cost-benefit and strategic priority is resource availability. There are always two types of resources that need to be allocated:

- **Internal resources**, comprising the time, direct and indirect financial resources and other means needed to plan, organise and implement a successful training programme. Financial resources are only one of many resource types to be considered.
- **External resources**, including the qualifications and availability of expert training providers. Experience has shown that many companies prefer to source training providers from Russia or even further afield to ensure that they are getting the quality they need.

Availability will have an impact not only on the total cost, but also the timing or phasing of either sequential training events, or training versus non-training projects (e.g. increasing compensation, buying software, etc.).

### 4.1.4 *Target group suitability*

The suitability, receptiveness and ability of the target group will also play a major role in determining training priorities. It may be, for instance, that technical maintenance personnel comprise the single most significant strategic priority for a company, and training these people to an adequate level would decrease spoilage by 75%. However, if these individuals are not capable of being trained or changing their performance, another solution may have to be found (such as hiring technicians externally or changing the manufacturing line). This is often the case with technical personnel who have made the transition from Soviet/GOST-standard

production machinery to western equipment, but it also includes other groups such as accounting staff, marketing/sales personnel, and even, hotel receptionists.

### 4.1.5 *Customer expectations*

A further key factor in determining training priorities are customer expectations. In the midst of analysing a company's internal processes, the tendency exists to focus solely on internal issues, without looking at the general market. This can be a critical mistake, both for strategic reasons (the customer is, after all, important!) as well as due to the fact that a short-term, customer-related crisis can be magnified into a major event if it is not given due attention.

An example of this tendency is seen in a project implemented in 1999 for a Russian natural resources company. The client was in the midst of an extensive business restructuring process designed to consolidate recent acquisitions, increase market share and improve cash flow and profitability. Restructuring and training proposals were made that would have given the company a GAAP accounting system, a top-of-the-range management information system, and a world-class strategy. Unfortunately, the short-term priority of getting quality products out of the door (and getting paid for them) was ignored, with the result that the company folded long before the strategy could be improved and implemented. Had the company allocated the finances available for a sales generation programme rather than strategy development and business restructuring, it might still be alive today.

Another major issue is that of customer taste or habits. Any kind of training should be designed to improve customer satisfaction, rather than improving a company's internal procedures to the extent where the customers are ignored or alienated. This is often the case were the latest western consultancy fashion is bought and implemented in a New Independent States company, only to find that the customers have totally different expectations. If a training programme can lead to increased customer satisfaction, and thereby to increased (or at least retained) sales, then it will have had a positive impact.

### 4.1.6 *Legal or financial requirements*

The legal and financial requirements relating to a company or product comprise the final critical factors, and are also often overlooked. Any kind of training programme has to ensure that the new situation or system resulting from the training complies with national requirements. A typical example in the New Independent States is accounting systems. Companies spend millions of dollars each year in implementing GAAP accounting systems, purchasing software and hardware, etc. At the end of each month, however, if they don't produce accounts according to relevant national standards (including formal and informal accounting requirements) they will face severe difficulties with the various local tax authorities. For instance, training in compensation or incentive systems of rewarding excellent performance have to comply with corporate and personal tax requirements, or the net result may be negative rather than positive.

## 4.2 *Defining priorities by site, hierarchy, unit or individual*

The next major issue is defining training priorities in relation to target groups. The major types of target group within a **hierarchical framework** include:

- **Corporate owners/chief executives**
- **Senior managers**, e.g. director of finance, director of marketing, etc.
- **Unit managers**, e.g. accounting unit manager, sales manager, distribution manager
- **Specialists:** professional staff in a non-management role, e.g. key account representative, machinist, accountant

Within an **organisational framework**, it is necessary to focus on the requirements of different departments and units, as well as the relations between headquarters and other sites. Finally, it may be necessary to prioritise by corporate versus individual training requirements.

## 4.3 *Defining priorities by time horizon*

Finally, the time element has to be taken into account in any prioritisation. This includes not only scheduling of training events, but also sequencing of sessions (particularly if the design is for an integrated programme rather than stand-alone events) as well as ensuring the availability of both trainers and the target groups.

With these three main factors in mind, it is possible to define a training prioritisation methodology.

## 4.4 *Training prioritisation methodology*

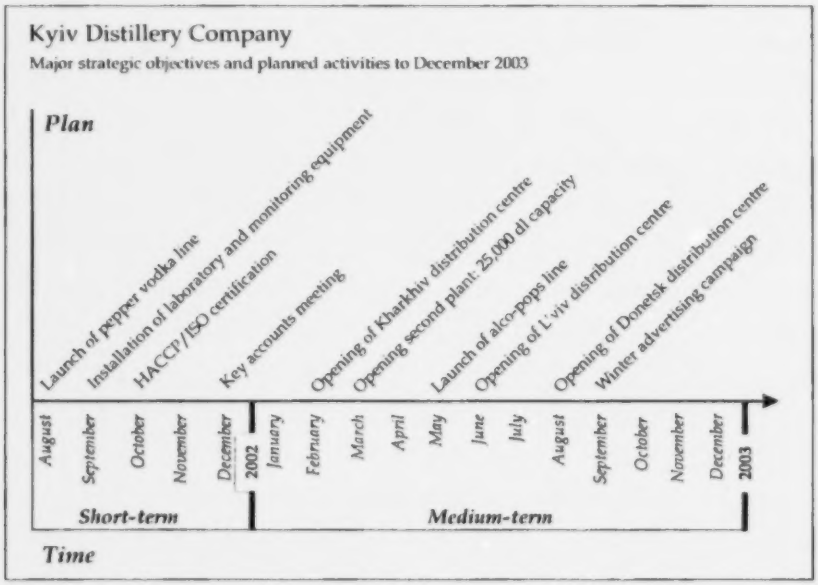
Prioritising training needs is often the result of forming a consensus on two main critical factors discussed in section 4.1: strategic importance and cost benefit. Ideally, external trainers working in conjunction with the corporate HR department should present a list of training priorities, which would then be decided on by corporate management. The reality is that priorities will often differ and decisions will be influenced by a number of objective and subjective factors, ranging from defensiveness about job performance to office politics to perceptions of strategic priorities.

An important aspect of presenting training priorities is to be able to demonstrate – as objectively as possible – the methodology that led to the list of desired training programmes. This indicates to top management that the decisions were arrived at as a result of a thought process, and will allow them to replicate this process using their own priorities if needed.

### 4.4.1 *Summarise strategic objectives and planned activities*

The first step is to make a summary of strategic objectives and planned activities as expressed by corporate owners/managers as well as potential business plans, investment partners, etc. These should be plotted on a line divided according to time frame (e.g. week, month, quarter) as well as short, medium and/or long-term priorities.

***Figure 5: Major strategic objectives and activities to 12/2003, Kyiv Distillery***




This timeline should be done on a corporate basis in order to keep total strategy and performance at the forefront of the analysis. However, if the training contract is for a specific department, or if the total strategy is too complicated to present in a coherent and linear manner, the trainer may wish to create separate timelines on a departmental or unit level.



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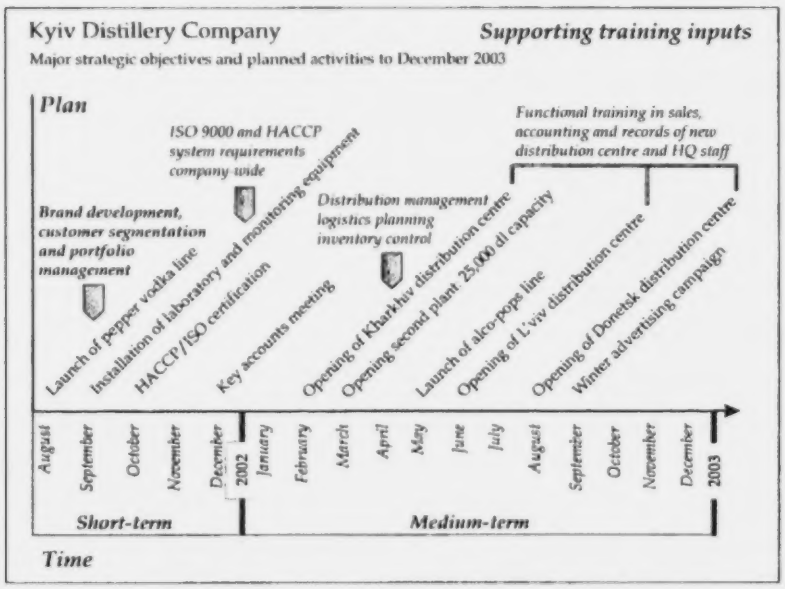
### 4.4.2 *Determine training inputs in support of strategy*

The next step is to determine how and where training can support these strategic objectives. The "when" is implied by the timing of each activity/objective, although the overall priority will be examined separately (see section 4.4.3). Based on the Kyiv Distillery example given above, it is possible to determine four main corporate objectives:

- **Expansion of distribution capacity** through new centres in L'viv, Donet'sk and Kharkhiv
- **Investment in new production capacity**: a new vodka plant (250,000 litre capacity) as well as an alco-pops production and bottling line
- **Improving market share** through new product launches (pepper vodka, alco-pops) and winter 2003 advertising campaign
- **Improving quality and hygiene** through purchase and installation of laboratory and monitoring equipment and application for HACCP and ISO

*Figure 6: Training inputs, Kyiv Distillery*




Based on these objectives and the results of the corporate process analysis, the training requirements determined are:

- Improvement of branding, customer segmentation and portfolio management. This is required both to take into account new product requirements, but also to position Kyiv Distillery more effectively in geographic regions outside the core Kyiv City and Kyiv Oblast



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market. This will occur for the marketing department, but also for some senior management positions and the company president (who makes all the funding decisions).

- Compliance with new equipment functions as well as the HACCP and ISO processes. This will occur within the new quality control unit that has to be set up in compliance with ISO standards; the new Laboratory Unit, but also the quality circle and quality manager, again part of ISO standards. This will include the company president and other senior management positions.
- Strengthening and tightening distribution management, logistics and inventory control functions within the company. Opening new distribution centres will increase the stock on hand by 95%. At the same time a fulfilment target for geographically distant customers (defined as customers over 400 km from Kyiv) has been set at five days by train and two days by truck. This creates immediate customer expectations as well as financial impacts. The subjects of the training will be the logistics, warehouse and purchasing/supply chain unit managers; the production manager; the chief accountant and the regional distribution managers. A separate, shorter training is required for sales personnel.
- Ensuring that staff of the new distribution centres are working according to company-wide processes and procedures in terms of accounting, marketing and sales, and inventory management. A two-track training will be needed: training in basic management skills to ensure everyone is at the same basic knowledge level, and training in Kyiv Distillery procedures, to ensure that the system runs smoothly.

At this point, there is a division in the potential methodologies. It is clear from this example that in addition to training inputs, there are other HR functional inputs (compensation system development, recruitment) as well as organisational development inputs (creation of a quality unit, creation of three new distribution centres).

The company can either:

- Determine other inputs, and then determine cost-benefit analysis and training priority, or
- Focus solely on training as the main priority, before moving on to sorting out other issues

Given experience with resource scarcity and the need to focus on a few core issues, it is likely that training should be regarded in conjunction with other HR and organisational development issues. If a consultancy brief extends only to training, however, the correct procedure is to skip Sections 4.4.3 – 4.4.4 and move on to Section 4.4.5, applying this for training activities.

### 4.4.3 *Determine other human resource inputs*

Other HR inputs and procedures would also have to be defined based on Kyiv Distillery's strategic objectives. These could include:

Development of a **comprehensive human resources strategy** to ensure that Kyiv Distillery's staff grow with and support the company, and that potential problems and challenges can be identified in advance rather than surfacing at critical times.

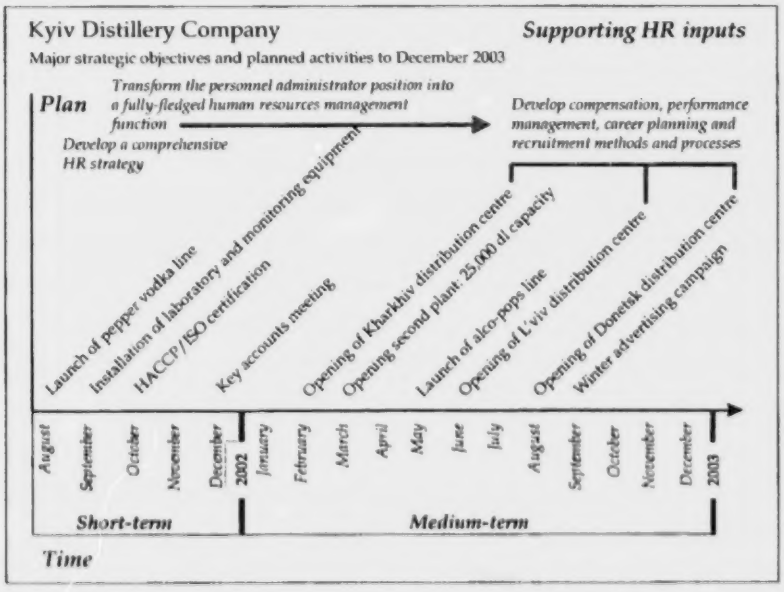
Transform the current function of Personnel Management (dealing with personnel administration, employment legal requirements, payroll, vacation, etc.) into a fully-fledged **human resources management function**, to ensure that this critical role is being handled professionally and continually and is well-resourced.

Development of a **compensation and incentive system** to ensure that remote distribution staff are properly motivated and align their own interests with those of the company. This would also ensure that Kyiv Distillery can attract the best staff available at this critical time in its expansion.

Development of **performance management indicators** and measurements to ensure that excellent performance can be rewarded and that people work to the best of their capabilities.

Development of a **career planning system** to ensure that a job a Kyiv Distillery is more than just a stepping stone to another company, and is valued more than the net benefit of compensation. This will help Kyiv Distillery fend off competitors and retain valuable talent.

***Figure 7: HR inputs, Kyiv Distillery***



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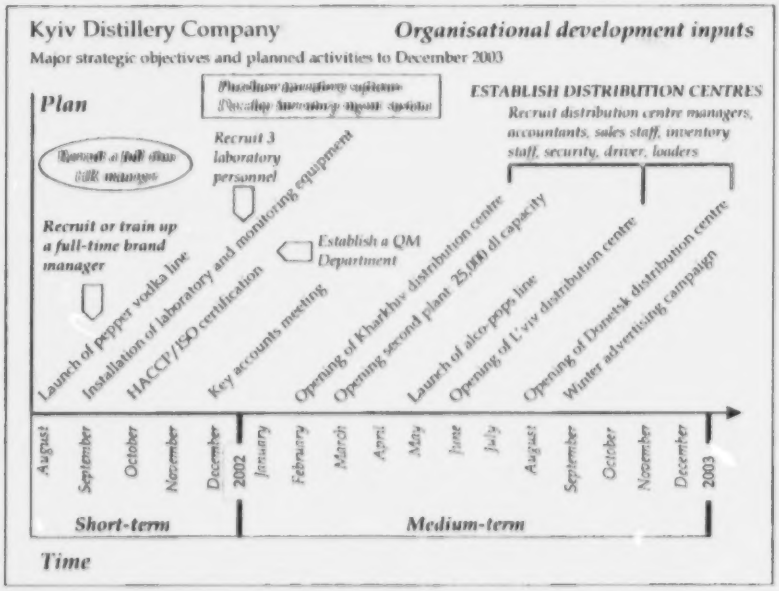
### 4.4.4 *Determine organisational development inputs*

Finally, the organisational development inputs in support of corporate strategy need to be determined. These inputs refer to issues such as the establishment of new positions, units or departments, addition of new functions, etc. Examples of such inputs for Kyiv Distillery Company might include:

- Establish the position/function of HR manager through the recruitment of a full-time specialist
- Recruit or train up a full-time brand manager, adding this position to the organisational chart
- Establish a quality testing laboratory and recruit three laboratory personnel
- Establish a quality management department reporting directly to the general manager, in line with ISO requirements
- Develop an inventory management system
- Purchase, install and verify a software inventory management system, which will include minimum order levels, purchasing commands and accounting functions
- Develop the regional distribution centres, which include staff recruitment at the centre level as well as possible organisational and functional changes at the headquarters level

***Figure 8: Organisational development inputs, Kyiv Distillery***



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### 4.4.5 *Determine staff involvement in training*

A further method of determining training priorities is by tracking the level of staff involvement required. This can be done on a corporate basis, i.e. cutting across departments, or on a hierarchical basis within a specific department. Continuing the example of the Kyiv Distillery Company, the staff involvement can be tracked as follows:

***Figure 9:*** ***Initial staff involvement according to main training areas identified***

| Main training areas identified | General Manager | Production Dept | Marketing Dept | Finance Dept | Purchasing Unit | Distribu-tion Centre |
|---|---|---|---|---|---|---|
| 1. Branding, segmentation, portfolio management | ✓ | | ✓ | ✓ | | ✓ |
| 2. Laboratory procedures, HACCP, ISO | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 3. Distribution, management and logistics | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 4. Distribution centre training | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

As can be seen from this chart, the correlation of training areas identified and the staff positions involved is not strong enough. While the General Manager, for instance, needs to know about quality management, he does not need to master all the details of laboratory testing procedures. Furthermore, it is difficult to implement a training programme for distribution centre staff in August 2001, given that this staff has not been recruited yet.



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A revised training area correlated to staff involvement would therefore be as follows:

***Figure 10: Revised staff involvement according to main training areas identified***

| Main training areas identified | General Manager | Production Dept | Lab Unit | Quality Dept | Marketing Dept | Finance Dept | Purcha-sing Dept | Distribu-tion Centre |
|---|---|---|---|---|---|---|---|---|
| 1. Marketing positioning and portfolio strategy | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2. Brand management | | | | ✓ | ✓ | | | ✓ |
| 3. Sales and customer management | | | | ✓ | ✓ | | | ✓ |
| 4. ISO/HACCP Management principles | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 5. ISO standard implementation | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 6. HACCP implementation | | ✓ | ✓ | ✓ | | | | |
| 7. Laboratory management and procedures | | ✓ | ✓ | ✓ | | | | |
| 8. Distribution and inventory management | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| 9. Distribution and inventory techniques | | ✓ | | ✓ | | | ✓ | ✓ |
| 10. Distribution centre training | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |



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This figure provides a good illustration of the fact that in-company training is customised and responds to specific needs. Taking the quality management training areas, for example (points 4 – 7), the differentiation that has been made is as follows:

- Area four: ISO/HACCP management principles: a training course here would address the general requirements of ISO and HACCP within a larger corporate quality management system. It would review the 19/21 points of ISO and emphasise that quality is a process. It would review the quality of the final product as well as quality of service, establishing its relevance for all departments and units in the company.
- Area five: ISO standard implementation: this training would address the quality management procedures *within each department and unit* of the company. For instance, the marketing department would focus on developing its QMS procedures and manual, while the laboratory unit would document its quality testing procedures.
- Area six: HACCP implementation: This is more restricted to the manufacturing and quality testing side of operations, so there are only three departments directly involved in the process. Distribution would also be involved if there were significant risks posed to the product during the storage and deliver phase of the value chain.
- Area seven: Laboratory management and procedures: This is mainly restricted to the laboratory unit, but interaction with the production and quality departments are required, for quality control, production scheduling, etc.

Once this type of resolution on training has been acquired, the specific prioritisation can be done.

### *4.4.6 Rank by priorities*

Priorities are assigned based on several factors, not least of which are the level of critical importance to short and medium-term objectives, the presence or absence of enabling factors (how to do laboratory training if the equipment is not available?), resource availability and cost-benefit analysis.

This process should be above all practical and tailored to the specific requirements of each company. There are no generic solutions to ranking priorities. Decisions should be guided by experience, practicality, local realities and suitability. In some cases, legal or system requirements take precedence.

There are several methods for establishing rankings. In the case that the priorities are fairly clear and are based on specific corporate objectives (as they are in the Kyiv Distillery example), it is possible to make a fairly simple outline as follows:

***Figure 11: Sample training priority ranking, Kyiv Distillery***

| Main training areas identified | Short-term (6 months) | Medium-term I (6-12 months) | Medium-term II (12-18 months) |
|---|---|---|---|
| 1. Marketing positioning and portfolio strategy | | | ● |
| 2. Brand management | | | ● |
| 3. Sales and customer management | | | ● |
| 4. ISO/HACCP Management principles | ● | | |
| 5. ISO standard implementation | ● | | |
| 6. HACCP implementation | ● | | |
| 7. Laboratory management and procedures | ● | | |
| 8. Distribution and inventory management | | ● | |
| 9. Distribution and inventory techniques | | ● | |
| 10. Distribution centre training | | ● | ● |

In this example, the justification for this ranking is as follows:

- A strategic, short-term priority is ISO and HACCP implementation. According to the priorities established, the purchase of laboratory equipment and QMS preparation will take place in September and October 2001. In this case, there is a clear technical procedure to be followed, which is mandated by HACCP and ISO system requirements.
- Given that it is a corporate priority to establish a network of national distribution centres, with three centres opening in 2002, the next major priority is to enhance the level of control over distribution requirements and inventory costs. This is also needed since one new production line and a new product range (alco-pops) will come on line in 2002.
- Finally, Kyiv Distillery will have to develop its overall brand management, portfolio management and competitive positioning in the market to ensure competitiveness.

At the same time, training of distribution centre staff will be an ongoing process, necessitating further training in the 12 – 18 month timeframe.



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This example is fairly easy to justify. Vodka production is usually a very profitable business, with high cash flow and the opportunity for abundant financial engineering. If Kyiv Distillery were haemorrhaging cash or didn't know it's own cost structure, the emphasis of the training might be on turn-around management, sales generation or financial management.

If consensus is not as easy to obtain, a more detailed ranking may be necessary. In this process, a group of trainers, consultants and company staff work through different options and try to reach a ranking based on common agreement. This process can be extremely time consuming and difficult, since individual opinions may vary. An example of a detailed ranking at Kyiv Distillery might look like this:

*Figure 12: Detailed training priority ranking, Kyiv Distillery*

| Main training areas identified | Short-term (6 months) | Medium-term I (6-12 months) | Medium-term II (12-18 months) |
|---|---|---|---|
| 1. Marketing positioning and portfolio strategy | 8 | 4 | 1 |
| 2. Brand management | 9 | 5 | 2 |
| 3. Sales and customer management | 10 | 6 | 3 |
| 4. ISO/HACCP management principles | 3 | | |
| 5. ISO standard implementation | 4 | | |
| 6. HACCP implementation | 2 | | |
| 7. Laboratory management and procedures | 1 | | |
| 8. Distribution and inventory management | 5 | 1 | |
| 9. Distribution and inventory techniques | 6 | 2 | |
| 10. Distribution centre training | 7 | 3 | 4 |

There is yet another level of resolution that can be made. This would occur if other HR and organisational development requirements were taken into account. In this case, specific training activities would be linked to HR/OD investments as well. In many cases, it is impossible to separate these: it is impossible to train distribution centre personnel, for instance, if the distribution centres do not yet exist.



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# 5 Training programme design

Based on experience from in-company training projects in the New Independent States, the most effective type of training programme is one based on action learning. This ensures a double benefit:

The programme imparts valuable skills through a problem-solving or analytical approach, which enables full concentration on the actual corporate issues

At the end of the programme, the company has an actionable document or materials that will help guide its future activities

For example, when implementing a training programme in marketing strategy, the most effective approach is to teach international best practice, methods of success in the New Independent States market, review case studies, etc. However, the corporate participants should be able to work on developing a marketing strategy for their company in an action learning environment.

The programme design is shown in outline form on the following page. Each individual component is described in further detail below. Additional methodologies for programme design are given in chapter seven, and are referenced in each component.

## *5.1 Course title*

The course title is self-explanatory. It should offer a concise description of the training programme, and should include the company name.

## *5.2 Management summary*

The management summary reviews the main objectives, characteristics, timing, responsibilities and target groups of the programme. The individual components are:

### *5.2.1 Summary of training needs identified*

This section should comprise a one-paragraph summary statement about the training needs identified. This should form a clear linkage between the identified needs, the resulting course design and the evaluation and assessment methods and indicators applied to determine return on investment (ROI) or cost-benefit analysis. This section may also refer to a more detailed training needs analysis implemented as a precursor to the training course.

### 5.2.2 *Objectives of the training programme*

This section should state clearly and concisely the objectives of the programme. It should refer to the general content, the target group and number of trainers, the type and source of training, and the expected impact on the company.

### 5.2.3 *Target group*

The target group refers to the hierarchical or departmental/unit staff position focus of the project. There should be a clear, implicit linkage between the training needs identified and the objectives of the programme in the target group.

*Figure 13: Training programme outline*

**1. Course title**

**2. Management summary**

- Summary of training needs identified
- Objectives of the training programme
- Target group
- Duration and timing
- Training methodology
- Training materials
- Facilities and equipment
- Trainer
- Programme co-ordinator
- Corporate participants
- Required follow-up
- Programme budget

**3. Training content**

- Duration/topic
- Topic
- Type of training/topic

**4. Evaluation and assessment methodology**

### 5.2.4 *Duration and timing*

This section should establish when the training will take place, the number of hours or sessions and their sequence.

### 5.2.5 *Training methodology*

A description of the training methodology should be made. For instance, this should specify lectures, action learning, team work/group work, case studies, simulations or games, modelling, computer-based training, web-based training, etc. It could also include activities such as field trips, trade fair visits, etc. The reference to the methodology should be clear enough so that it can be understood by non-HR specialists.

### 5.2.6 *Training materials*

A description of training materials should include items such as lecture notes, case studies, textbooks, software programmes, product specimens or samples, advertising copy, PowerPoint presentations, and other relevant materials.

### 5.2.7 *Facilities and equipment*

A description of facilities and equipment should clearly establish the physical space and any equipment needs (PCs, laptops, printers, projectors, whiteboards, notepaper, writing materials, etc.). If the training programme includes external visits, this section should include a description of transportation or other requirements.

### 5.2.8 *Trainer*

The trainer should be identified according to his/her name, organisation and country. If the trainer has not yet been identified, this should be noted.

### 5.2.9 *Programme co-ordinator*

The company co-ordinator should be identified, along with email, telephone, telefax, GSM and other acceptable contact numbers and information.

### 5.2.10 *Corporate participants*

The proposed corporate participants should be clearly identified by name, position and unit/department. If not all participants have been identified, reference should be made to the estimated total number, and what functions or departments they would represent.

### 5.2.11 *Required follow-up*

If follow-up is envisioned as part of an assessment methodology (training follow-up should be implemented wherever possible), the timing and activities should be briefly indicated.

### 5.2.12 *Programme budget*

The total budget for the programme should be mentioned, along with a possible category breakdown, i.e. direct costs, reimbursable costs, internal costs, and others. Section 7.1 gives further information on training programme budget planning.

## 5.3 *Training content*

The training content should be as detailed as possible, and should relate the duration of training component to topics covered and to the type of training implemented:

| Duration (hours) | Topics | Type of Training |
|---|---|---|
| | | |

Additional columns could be added, if this will lend further clarity and resolution to the programme content. An additional column that might be useful could include training materials, such as specific case study titles, textbooks, etc.

The description of topics should be as concise as possible, yet impart enough information so that the precise content is clear. It is often useful to relate a specific training content item to the existing needs or priorities of the company. This is especially useful if the action learning approach is to be used.

In designing specific training content, it is recommended that:

- The training materials are – as far as possible – developed through original course development for specific in-company use
- Lecturing or reading is avoided, and more modern and comfortable presentation methods such as PowerPoint projection are used
- "Real life" case studies or learning materials are incorporated into the training, such as reports, press clippings, strategic analyses, product samples, advertising copy, etc.
- The materials are developed in the language of the training target as far as possible
- Group interaction and action learning are emphasised as far as possible



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- Dialogue and participation is encouraged

Continuing the hypothetical example of Kyiv Distillery Company, if a branding strategy course is being designed, a sample content section could be:

*Figure 14: Sample training content for branding strategy, Kyiv Distillery*

| Duration (hours) | Topics | Type of Training |
|---|---|---|
| 3 | Lessons from international brand management strategies: the case of Diageo.<br>Discussion of applicability to Kyiv Distillery Company | Review of INSEAD Diageo case study<br>Analysis of:<br>• annual report<br>• Diageo brand advertising materials<br>• inspection of Diageo corporate web site<br>• press clippings review |

## 5.4 *Assessment and evaluation methodology*

There are always two types of evaluation and assessment: ***immediate*** (at the conclusion of the training programme) and ***follow-up***(once a specified time period has elapsed). Specific methods of assessment and evaluation are given in sections 7.4 and 7.5.

### 5.4.1 *Corporate assessment*

This includes the assessment by the trainer of the impacts and effectiveness of the training programme on the company. It may also include an identification of future training needs.

### 5.4.2 *Individual assessment*

This includes the assessment by the trainer of individual participation, readiness and future training needs.

### 5.4.3 *Course evaluation*

This involves the evaluation methods on the course materials, content and curricula, to be made by the course participants.



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### 5.4.4 *Trainer evaluation*

This involves the evaluation of the trainer by the participants, for such factors as degree of knowledge, communications ability, teaching skill, etc.

## 5.5 *Programme budget and resources*

This section should include a comprehensive report on the budget and resource allocation for the programme. This would usually be done on a spreadsheet programme and copied into the text document. Specific guidelines for budgeting and resources are given in section 7.1.

## 5.6 *Qualifications and profile of the training provider*

Finally, a short summary of the qualifications and profile of the training provider should be made. This is required in order to check that the trainers' skills correspond to the content, training objectives and identified training needs (as well as the budget, of course!). Specific recommendations for selecting a trainer are given in section 7.2.

# 6 Sample training programme

**Gaining competitive advantage through strategic human resource management**

***In-Company Senior Management Training Programme for Kyiv Distillery Co.***

## 6.1 *Management summary*

| | |
|---|---|
| **Training needs** | Kyiv Distillery Co. has successfully weathered the challenges associated with the rouble devaluation of 1998. It has managed to invest in new production equipment and increase sales by an average of 15% per year in a very competitive market. Given the strategic importance of attracting an equity partner and investing in a new production site, the company must invest in training that will support it in:<br>• Managing the challenges associated with doubling production capacity and entering new markets<br>• Ensuring competitiveness by attracting, developing and retaining specialist staff and managers |
| **Objectives** | To implement a senior management, in-company training programme that will cover the basic principles of strategic human resources management and enable Kyiv Distillery Co. to develop its own HR plan. |
| **Target group** | General manager, director of marketing and sales, director of finance and accounting, director of strategic finance, production manager, sales trainer. |
| **Duration and training** | 12 - 14 hours in six or seven two-hour modules (depending on the duration of the final group exercise)<br>To take place between September and December 2001 |
| **Methodology** | Action training method, including:<br>• Trainer-led sessions including presentations, cases, analysis<br>• Group work applying lessons to Kyiv Distillery Co. |
| **Materials** | To be proposed by training provider. However, these should include:<br>• An MS PowerPoint-based presentation<br>• Case studies, videos and materials involving leading international FMCG and alcoholic drinks companies |



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| | |
|---|---|
| **Training needs** | Kyiv Distillery Co. has successfully weathered the challenges associated with the rouble devaluation of 1998. It has managed to invest in new production equipment and increase sales by an average of 15% per year in a very competitive market. Given the strategic importance of attracting an equity partner and investing in a new production site, the company must invest in training that will support it in:<br>• Managing the challenges associated with doubling production capacity and entering new markets<br>• Ensuring competitiveness by attracting, developing and retaining specialist staff and managers |
| **Facilities and equipment** | Training room for 6 participants + trainer<br>PowerPoint projector<br>Whiteboard, Flipcharts, Paper, Pens |
| Trainer | To be determined through competitive tender |
| Kyiv Distillery Co. co-ordinator | Mr. _____, General Manager |
| Corporate participants | See target group, above |
| Required follow-up | Yes, see section 6. 3, below |
| Budget | To be determined |



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## 6.2 *Training content*

| Duration (hours) | Topics | Type of Training |
|---|---|---|
| 1 | • Principles of strategic human resources management<br>• Outline of basic HR components and structure<br>• Comparison of international models of HR (e.g. multinational model, Japanese model, EU model…)<br>• Applications and examples from the New Independent States: the case of Soyuz Viktan, Ukraine | Presentation |
| 1 | • Roles and responsibilities for HR management<br>• The role of the corporate owner/board of directors<br>• The role of the general manager<br>• The role of the human resources manager<br>• The role of departmental managers | Presentation |
| 2 | • HR planning and staff recruitment<br>• Planning corporate HR needs<br>• Identifying sources of employment<br>• Developing HR databases<br>• The recruitment process and methods | Presentation<br>Group project to identify sources in Ukraine |
| 2 | • Compensation Design and Performance Assessment<br>• Direct and indirect compensation<br>• Group compensation and incentives<br>• Performance assessment methods | Presentation<br>Discussion of applicability to Kyiv Distillery Co. |
| 2 | • Training programme design and planning<br>• Correlating training needs to corporate strategy<br>• Skills assessment methods<br>• Training design<br>• Global training planning and priorities | Presentation<br>Group session: applicability to Kyiv Distillery Co. |
| 2 | • Tendering and evaluation methods, contracting<br>• Tendering training services<br>• Implementing evaluation<br>• Contracting and performance assessment of training providers | Presentation |
| 2 - 4 | • Applicability for Kyiv Distillery Co.<br>• Case study or group exercise involving applying knowledge to Kyiv Distillery Co. with trainer support | Group exercise |

*All training content should include real examples from companies in the region as well as international companies.*



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## 6.3 *Evaluation and assessment*

### 6.3.1 *Corporate and individual assessments*

In order to test knowledge take-up among programme participants, the trainer will be expected to implement a performance assessment of each participant. The assessment method shall be clearly established and presented to participants at the beginning of the programme.

| Type | Method |
|---|---|
| Corporate assessment | The trainer, in conjunction with top management, will assess the impact of the programme on corporate operations 2 months after the end of the teaching activities. The methods to be used include:<br>• The design and implementation of a corporate HR strategy<br>• Staff acceptance and take-up<br>• Indicators of productivity or cultural changes in transition economies |
| Individual assessment | An individual assessment will be implemented in the final session of training. This will be based on a personal interview and comments by the trainer.<br>A further assessment will occur two months after completion, parallel to the corporate assessment |

### 6.3.2 *Course evaluation*

In order to assure the level of quality required, participants will evaluate the trainer and training content at the end of the programme. The criteria will include:

| Type | Method |
|---|---|
| Trainer evaluation | The participants will evaluate the trainer for:<br>• Effective communications skills<br>• Knowledge of the subject<br>• Knowledge of HR practice in transition economies<br>• Quality of training materials developed |
| Corporate evaluation | Kyiv Distillery Co. will evaluate the overall success of the training programme in helping the company meet its strategic objectives. This shall be done by the general manager within two weeks of the course completion. |



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## 6.4 *Budget and resources*

The following budget is available for the programme:

***Figure 15: Sample training budget***

**Training budget for strategic HR development**

**Kyiv Distillery Company**

| | |
|---|---|
| Trainer : | Mr. Klaus Wenschel, « Food Service Co, Germany » |
| # Participants : | 20 |
| # Days : | 3 |

| *A. Direct costs* | **Unit** | **# Units** | **Cost/Unit** | **Total cost** |
|---|---|---|---|---|
| 1. Trainer fees | Day | | | 2,700 |
| 2. Trainer materials | Packs | 6 | 450 | 600 |
| 3. Other direct fees requested by trainer | | 20 | 30 | - |
| **Total direct costs** | | | | **3,300** |
| ***B. Reimbursable costs*** | **Unit** | **# Units** | **Cost/Unit** | **Total cost** |
| 1. Airfare | Flight | | | |
| 2. Hotel accommodation | Nights | 1 | 800 | 800 |
| 3. Miscellaneous expenses | Lump sum | 4 | 100 | 400 |
| 4. Coffee breaks | Lump sum | 4 | 30 | 120 |
| 5. Lunch breaks | Lump sum | 6 | 20 | 120 |
| 6. Welcome dinner | Lump sum | 3 | 100 | 300 |
| «Zavtra Restaurant» | | 1 | 450 | 450 |
| 7. Other reimbursable costs | | | | |
| **Total reimbursable costs** | | | | **2,190** |
| **Total direct and reimbursable costs (A+B)** | | | | **5,490** |
| ***C. Internal costs*** | **Unit** | **# Units** | **Cost/Unit** | **Total cost** |
| 1. Accommodation for 16 regional sales staff | Lump sum | 64 | 30 | 1,920 |
| 2. Transport hotel –HQ | Lump sum | 16 | 5 | 80 |
| 3. Miscellaneous staff expenses | Lump sum | 64 | 10 | 640 |
| 4. Other internal expenses | Lump sum | | | - |
| **Total internal costs** | | | | **2,640** |



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## 6.5 *Qualifications of the training provider*

The trainer/training provider shall possess the following qualifications:

- University degree in business management or human resources
- Minimum 5 years experience in operational HR management, preferably in an international corporate setting
- Knowledge of modern HR management techniques applicable to transition economies
- Knowledge of Russian would be preferred
- Excellent communications and presentation skills

The trainer/provider will be required to sign a confidentiality statement and may not disclose any information about Kyiv Distillery Co. or its operations to third parties.

# 7. Training planning

This section provides some practical suggestions and methodologies for planning specific training programmes.

## *7.1 Training programme budgeting and resource allocation*

There are two factors that need to be taken into account in programme budgeting and resource allocation:

- long-term budget allocation (which would include issues such as permanent training staff, development of a training centre, etc. as well as individual training costing), and
- the costing of individual programmes

### *7.1.1 Long-term budget allocation*

Long-term resource allocation is usually done on an annual basis. Some cost factors include:

- Remuneration or salary costs of a training co-ordinator (if separate from an HR position)
- Facilities costs, such as training centre, purchase of equipment (such as laptops, projection systems, audio systems)
- Budget estimates for specific training programmes, or seminars, both in-house and external

It is important to differentiate between a real budget process and an extrapolation on past training budgets. Most companies tend to report their budget for training as being "between 10,000 – 12,000 per year", but this is usually a reflection of what they spent in the past year, and not an actual budget line that has been approved by management.

Depending on the volume of training to be undertaken, it may be more cost-effective to hire a full-time training provider or co-ordinator. This is often the case when a company is expanding rapidly within a single sector. For instance, a consumer products company in Kazakhstan decided to hire a full-time marketing trainer, to ensure a stable, in-house resource for ongoing sales staff training, rather than relying solely on external training providers. This company has a strategic objective of launching several new products and entering several new

product categories over the next 18 months, so a permanent trainer would be in a constant demand.

Finally, the process of annual budgeting is important because it:

- Confirms the importance of training at the senior management level
- Ensures that the training budget has been well-planned and stands up to senior management cost-benefit analysis
- Communicates the importance of training to different management levels of the company
- Ensures (hopefully) that the benefits of training are well-distributed within the company

This process is often not undertaken formally in the New Independent States companies, but can make a real difference towards getting training accepted as a "serious" aspect of corporate management.

### 7.1.2 *Short-term (project-based) budget allocation*

Short-term budgeting refers to resource allocation for a specific training project or programme. In implementing project budgeting, it is important to cover all costs associated with the specific project, including project preparation, materials, remuneration of external trainers, etc. Some companies take this a step further by costing the time spent by corporate participants (opportunity cost) in the training programme. This is often the case when large-scale or long-term programmes are implemented which absorb a significant share of participant time.

Some general cost factors include:

- **Direct costs**

  These are costs that are invoiced directly by the trainer/consultant at a fixed rate, on a contract basis. Some types of direct costs include:

  - Training fees
  - Training materials (if furnished by the trainer)
  - Time for preparation or reporting
  - Telecommunications expenses, if budgeted according to lump sum
  - **Reimbursable costs**

  These are costs that are reimbursed based on a specific invoice. In the budgeting process, an estimate is made of the total level of costs per item, with the precise cost calculation following once the final invoice has been processed. Some examples of reimbursable costs include:

- Airfare/car rental/trainer/other transport
- Hotel accommodation
- Taxi transfers
- Dinners, lunches and coffee breaks
- Telecommunications expenses, if budgeted on a reimbursable basis
- Printing or photocopies, if this is done on a reimbursable basis

In budgeting for reimbursable costs from an external service provider (e.g. a training firm or consultancy), it is important to specify that a reimbursable cost will be ***at cost only.*** Some training firms or consultancies often put a value surcharge of 10 - 15% on individual materials. (For instance, a binder with photocopied training materials that might cost 10/unit is charged at 12/item to the client).

If this is the only possible service provider available, then the client may have to accept value charging. If not, it is a good idea to specify that all reimbursables must be charged at cost only.

■ **Internal costs**

Internal costs refer to the cost to the company associated with its role in the training programme. For instance, if a programme on marketing is implemented for all sales staff, and 16 of 20 staff have to be brought in from regional sales offices, housed in a hotel, etc. this constitutes an internal cost. Some examples of internal costs include:

- Transport to and from the location of training
- Accommodation at the place of training
- Per diem expenses (e.g. food, entertainment)
- Miscellaneous staff expenses for organising programme logistics, site management, etc.

Internal costs should not be confused with reimbursable costs: internal costs refer to the company's (client's) expenses; reimbursable costs refer to the expenses incurred during the training itself. Some companies prefer to separate internal costs due to the fact that these cost components often come from other budget lines. For instance, the costs of sales staff travel are often drawn from the marketing budget. Either way, it is important to model all costs associated with a specific programme.

■ **Opportunity costs**

Just as internal costs are modelled separately, some companies prefer to take opportunity costs into account. These are primarily the unit costs of labour that could have been spent on company business, but have been spent on training instead. As an example: a three-day

training programme for 20 corporate sales staff is held. The cost to the company could be calculated as:

**3 days x cost/staff-day x 20 staff**

Opportunity cost factoring is not often used in the New Independent States because of the real need to improve human resources. In some western countries, however, (and particularly in the United States), where the salaries and related expenses of specialised labour are so high, the opportunity cost of labour time is extremely high and is usually costed separately.

As with all methods discussed in this tool kit, the costing methodology should reflect the methods and resources of each individual company. The important point is to get an accurate indication of costs, both for specific budgeting purposes as well as to be able to evaluate cost-benefit or return on investment of training programmes.

A sample training programme budget for a three-day strategic HR programme is given in section 6.4 (figure 15).

### *7.1.3 Monitoring financial performance*

In addition to forward budgeting, financial performance monitoring should be implemented after the training has taken place. This simply means recording all actual costs and time (in terms of staff hours, staff days, etc.) spent on a specific programme, function or annual budget. Monitoring is usually done at the end of each specific programme, or at year-end.

## *7.2 Selecting a training provider*

The process of selecting a training provider is usually one of the most difficult in the New Independent States. This is due to several inter-related factors:

- Corporate management may not be aware of their own training needs. The main decision metric is therefore based on misleading factors, such as image, presentation or price.
- There is a lack of supply of domestic training providers in many countries. Although there is a well-defined training market in Russia, similar offers do not exist in other countries.
- Companies are often unable to pay prevailing market rates for training programmes. In many EU countries, for instance, a two-day marketing or ISO course may cost 1,000 per participant.
- Previous experience with inappropriate training providers may have resulted in budgets being spent on programmes that were not directly applicable or useful.

A common problem expressed by many companies in the New Independent States is that the curricula available from national training providers are excessively theoretical, and that better value for money could be obtained by buying and studying a management textbook.

The selection process should therefore focus on five factors:

- Applicability of training materials and methods
- Training provider qualifications (corporate and individual)
- References
- Value for money
- A proper tendering process

### *7.2.1 Applicability of training materials and methods*

The primary factor in selecting a training provider for an in-company training programme should be the relevance of the programme. It does not matter whether the most famous trainer in the New Independent States is coming to a company to deliver a training course; if the course is not adapted to company needs, it will not meet company expectations, or lead to an improved situation.

A major aspect of soliciting bids from trainers or training institutions should therefore focus on the quality of the methodology, training materials and approach. Training content has to clearly link with the training objectives and identified needs.

Corporate management should therefore evaluate:

- Whether or not the programme is custom-made to specific corporate needs, or whether it is a generic programme with little differentiation
- The degree to which international best practice and local practice are combined
- Whether or not there is a mixture of business theory as well as specific tools that can be applied to the specific corporate situation
- Whether or not an action learning approach is used
- Whether or not training methods and materials correspond to the capabilities of the selected group of participants
- Whether or not language and cultural sensitivity are taken into account

Besides evaluating the methodology expressed in a training tender, company management may also request to see a training sample or demonstration as a condition for accepting the offer.

### 7.2.2 *Training company and individual qualifications*

The qualifications of the training provider should be carefully taken into account. In some cases, consultants or training providers often bid for a project using the CVs of senior trainers or personnel, but then deploy junior staff with little experience on training projects. Unless this approach is clearly defined in the tender and corresponds to company requirements, it should not be accepted by corporate management. Given that multinational consulting rates for analysts usually start at well over 2,000 per day, expenses can often be significant.

Some qualifications to be established include:

- Track record of similar projects in the specific sector of activity
- Track record of similar projects within a given country or geographic region
- Understanding of local/national working practices and business conditions
- Ability to communicate in the specified language
- Experience in inter-active training or action learning

These qualifications should be checked against actual corporate references (see below). Some additional important factors include:

- Availability of staff within the foreseen timeframe
- Implementation of the training by the experts specified in the tender document

In many cases, the only way qualifications can be checked is through references. However, in some cases it is possible to receive a sample of similar training curricula.

### 7.2.3 *Training references*

The only reliable way of checking qualifications is through client reference. Although tenders routinely request three references from clients/projects in similar situations, corporate management almost never contacts the reference to check actual track record. This oversight can be expensive.

It is strongly recommended that an active effort be made to confirm client references. This should be in the form of a telephone call or even personal meeting (if possible). This should be preceded by some form of initial written contact (letter, fax, email), explaining the circumstance and inquiring whether or not a personal contact can be made.

The contact interview should be prepared with a clear list of information priorities. Some sample questions include:

- Whether or not the contact person was directly responsible for the training programme.
- Did the training programme meet its objectives?

- Was the project on time/on budget?
- What were some benefits of the training?
- Were these benefits long term?
- What were the problems or challenges encountered?
- If there were problems, were these due to the trainer, or some other factor?
- Have you used the trainer/consultant since this programme?

Obviously, there are numerous additional questions that could be asked. Companies are usually quite willing to discuss the performance of a training or consultancy provider, and are receptive to such requests. Nevertheless, care should be taken not to take too much of the time of the manager in charge. A telephone call should usually not go beyond 10 - 15 minutes, unless the respondent is happy to spend additional time.

### 7.2.4 *Value for money*

The issue of value for money goes beyond simple price. Although pricing should play an important part in determining a training project, it should not be the main factor, at least not for companies that are profitable. Obviously, each company will have its own budget ceiling and financial considerations. However, corporate executives should not take the universal view that "cheaper is better," because the corollary to this is "you get what you pay for".

Some factors for ensuring that price priorities are taken into account include:

- Specify the total budget ceiling of the contract
- Clearly divide trainer fees from expenses
- Insist on a clear financial proposal that establishes the number of days and the fee per day for each component of the training programme
- If appropriate, establish the relative weight of the financial offer in the overall decision-making process

### 7.2.5 *The tendering process*

A competitive tender is often the best method of sourcing the most appropriate training provider. In many cases, an opposite instinct dominates decision-making in the New Independent States, where political or family contacts often play a major role. Companies should resist awarding training contacts to the nephew of the company chairman or the wife of the local governor, unless it is clear that such contractors can actually deliver the desired results.

Some suggestions for the tendering process:

- It is sometimes useful to separate training needs analysis from training programme development. This contributes towards an objective analysis in both phases of the process.
- If a single training provider is selected for both phases, there should be a clause in the contract that allows corporate management to review the training curriculum to see that it meets real needs, before moving to implementation.

The tender evaluation format should be uniform and established in advance. Relative weighting should be assigned to various components, e.g.:

| | |
|---|---|
| Quality of training methodology | 30% |
| Quality of materials proposed | 20% |
| Trainer qualifications | 30% |
| Price | 20% |

The tender evaluation methodology should be shared with the tendering companies to ensure that they are aware of the contract conditions.

In general, better quality information given to tenderers will result in a better quality proposal (and hopefully a better quality training programme!). The company should clearly establish its training needs, objective, target group, etc. The format for training programme design (Figure 13) is a resource that can be adapted as a tendering tool.

The contract/tender document should specify that only those consultants mentioned in the proposal should be deployed on the project, unless suitable replacements can be found within a given time frame.

Clear confidentiality and conflict of interest conditions should apply to any contract.

The rights to future use of training materials should be clearly established.

All tender evaluation criteria should clearly correlate with training priorities and requirements.

This information is usually published in a *tender dossier* that contains the tender itself, information about the company, a sample or draft contract, a sample non-disclosure agreement, and information on the budget and payment process.

## 7.3 *Selection, scheduling and logistics*

Other basic components that have to be taken into account in designing a training programme are the selection of corporate participants; scheduling of the event and logistics for the event.

### 7.3.1 *Participant selection*

This refers to the corporate participants who will attend the event. It is critical to include the core target group identified in the needs analysis, and to avoid taking advantage of a training programme by packing in unrelated staff as a form of incentive or "so they can learn something as well".

Most training courses operate on the basis that an effective training group consists of 6 – 12 participants. In the case where the number of participants is over 12, care must be taken to ensure that the training method and group dynamics can fully address so many people at once.

A further consideration for many action-learning related courses is confidentiality. In many cases, a trainer will be called in to deal with fundamental issues that affect the organisational structure and functions of key departments and processes. If such training is planned, then the selection of suitable participants is crucial to the success of the programme. It may be much easier to ensure the success of a training programme if the training is restricted to top and senior management, with the possibility of a wider training programme for other departmental staff once the basic issues have been agreed upon.

Finally, a company can facilitate successful training by ensuring that the evaluation of participant performance will be reviewed seriously, and that top management is interested in and committed to the proceedings.

### 7.3.2 *Scheduling and organisation*

Scheduling and training organisation is equally critical to the success or failure of a training programme. The two most difficult aspects of in-company training are usually:

- Scheduling the event so that all the target participants can attend the training, and
- Ensuring that module duration is not so long that training effectiveness is lost

This is usually simple if a company has contracted a training provider from the city, region or even country where that company is based. If international trainers are used, however, scheduling and organisation may become very difficult. Examples:

Many companies insist on having training take place in the evenings or at weekends to ensure that daily operations are not disrupted. This creates problems for the staff, since after a full

day's work it is difficult to deal with new concepts and materials. It is equally difficult for the trainers and consultants, who often work on a uniform daily rate and cannot split a contract into half-days if they must travel to the workplace of the client.

Training effectiveness is usually compromised when the sessions are too many or too long. An optimal training session is usually one and a half to two hours long, followed by a coffee break, followed by another equivalent session. In an afternoon session, anything over two hours is usually ineffective, or at least reduced in terms of effectiveness.

Training which is oriented towards senior or top management is usually very different in terms of content than that oriented towards senior specialists or departmental staff. This as well as obvious time limitations creates further scheduling challenges.

While there are no optimal standards or benchmarks in terms of training scheduling, it is important to develop a schedule and module organisation which takes staff capacity and requirements into account. This may involve spreading training sessions over a period of time, rather than implementing a single, intensive training programme if the training is to occur parallel to normal work activities.

### 7.3.3 *Facilities, logistics and equipment*

The final requirement to be taken into account are facilities, logistics and equipment. Facilities should include a comfortable training area, preferably free of the distractions of day-to-day business. Logistics include travel as well as co-ordination. Equipment should be clearly specified by trainers and costed in the overall budget.

## 7.4 *Programme assessment, evaluation and follow-up*

The role of assessment and evaluation is to determine the effectiveness and suitability of the training programme to the company (at an individual and organisational level), to review the suitability of the specific trainer and training materials, and to make recommendations designed to improve the delivery of future training programmes. These are two categories for review:

- **Training assessment**, which involves the trainer's assessment of the course participants, the course's impact on the company, and the likely future training or other organisational development required, and
- **Training evaluation**, which involves evaluating the trainer, training materials, curricula and delivery for effectiveness and potential improvement.

### *7.4.1 Training assessment*

***The individual level***

Training assessment is performed by the trainer usually immediately after the conclusion of a training session, and in some cases after a given time period (e.g. two months, six months). Personal assessment may have several forms, including:

- Personal interview, in which the trainer reviews progress made during the training programme and outlines future development and training needs
- Performance evaluation against closed, pre-defined, "soft" (or behavioural) criteria, such as level of interest, participation, attitude, response, commitment, etc.
- Performance evaluation against closed, pre-defined, "hard" (or technical) criteria, which would include the level of knowledge gained during the training
- Performance evaluation based on open-ended criteria, for instance written responses to essay-type questions, evaluation of written work completed during the training, etc.

In each case, it is important to separate objective from subjective factors and ensure that the assessment results can be acted upon. For instance, a personal evaluation stating that "the participant does not understand the basics of marketing" may be accurate, but such a comment may be devastating for that individual's career and is not particularly useful in itself. It would be more appropriate to identify why the participant does not understand the basics of marketing (e.g. lack of real experience; lack of formal training, etc.) and to suggest some means of remedying this situation.

Some examples of assessment information are given below. Such metrics can be evaluated on a closed or open-ended questionnaire, or through personal interviews. Examples include:

- Level of interest
- Level of attention
- Level of participation
- Performance during group exercises
- Performance in written exercises
- Comfort with new knowledge learned
- Technical command of new knowledge
- Future training requirements
- Future organisational requirements (e.g. information technology use; vehicle purchase, etc.)

- Ways in which the knowledge gained should be assimilated/reinforced in future work activities or work conditions
- Ways in which the training will affect or improve the participant's work
- The extent to which the participant can act as a multiplier by training colleagues or other staff
- Some subjective factors that may influence the evaluation and should be incorporated into the assessment methodology include:
- Language ability
- Prior learning methodologies
- Prior familiarity with subject
- Prior experience/comfort level with group work and interaction
- Prior experience/comfort level with public speaking
- International experience
- Ability to use information technology (if relevant)

These are particularly important in the New Independent States, since traditional learning methods may have emphasised rote learning and repetition rather than an interactive process, group work or independent reasoning. Furthermore, the trainer should not assume that all participants are able to understand "basic" information, such as marketing or consumer behaviour. There is a clear cultural impact on training suitability, which occurs not only in the New Independent States, but all over the world, including the European Union.

***The organisational level***

In addition to assessing the effectiveness of training on individual participants, the trainer is often called to evaluate the impact of the training on the company as a whole. This is critical, since the objective of the training is, after all, to improve the skills set and performance of the company. Very often a training course will be only a part or the beginning of a series of ongoing HR or organisational development initiatives that are needed.

Some issues which should be analysed at the organisational level include:

- The extent to which the level and type of training will result in a **direct impact on a distinct, organisational function**. For instance, if a marketing training course is implemented, what kind of direct results will be expected on the marketing activities of the company?
- The extent to which further training is needed, on the **same beneficiary group**. This should also identify specific subjects, training duration and potential direct impacts. For instance, in the case of a training programme on branding and portfolio management, the trainer may

determine that the related function of key account management and customer relationship management will be required to successfully introduce the new brand concept.

- The extent to which further training is required on a **related corporate group**. For instance, if a company implements training in order to introduce key account management or customer relationship management, it may also be necessary to ensure that the accounting department is aware of the new initiative and acts in co-ordination with the new marketing requirements and policy.
- The extent to which **other organisational functions, investments, facilities or infrastructure** are required. A good example of this is marketing training: it does not matter how much training is completed if a marketing budget is not available. Very often, a company's performance can only be partially improved by training: other changes may also be needed.

***Post course assessment***

There will always be at least two types of assessment which are carried out based on the time in which they occur. An assessment done immediately after a training programme will reveal certain information: an assessment done four to six months later will often present a vastly different (and possibly more accurate) picture. Post-course assessments have the advantage of taking into account information from multiple information sources and evaluating effectiveness in practice, rather than in theory. There are at least four potential sources of information in post-course assessment:

- The course participant
- His/her colleagues or co-workers
- His/her manager/s
- His/her customers or other external partners (e.g. suppliers)
- There are a number of variables that can be measured, including:
- The use of imparted skills in day-to-day work
- The relevance of these skills to the job
- The relevance of these skills to the company
- Specific benefits, e.g. increased transaction or completion times; greater knowledge of data, etc.
- Identification of related beneficiary groups in need of similar training
- Identification of related training requirements
- "Refresher" training needed

- Other impacts affecting job performance or skills requirements that are determined only after implementation of the training course

This is closely related to measuring the return on investment (ROI) of training, which is treated in section 7.5.

While many companies (and trainers!) prefer not to implement post-course training, it is often the only way of getting real data on training effectiveness. This can play a valuable role in determining future training needs as well as investments. If a post course assessment is made, it is recommended that this be done through personal, i.e. direct interview and work on site, rather than via remote or distance methods such as questionnaires or telephone interviews. The same sensitivity and objectivity should be used, and the rewards for doing so in terms of understanding training effectiveness will often be significant.

### *7.4.2 Training evaluation*

Training evaluation measures the effectiveness, suitability and professionalism of the training course. This evaluation is done by the participants, and in some cases by their managers (usually after a suitable duration of time). There are usually several aspects of a training programme that require evaluation:

- **Correlation with corporate priorities and needs**. Did the training course support the company's requirements and strategy? Is there a clear link between corporate critical strategic objectives and the course content? Was the programme structured to respond specifically to company needs?
- **Organisational acceptance and support**. Did the corporate management accept the need for the training programme? Was adequate time/resources made available for all participants? Is there a clear correlation between personal involvement and future professional opportunities?
- **Training programme objectives**.Are the objectives of the training programme clearly defined? Does the course material, content and curriculum support the training objectives? Is there a measurable output expected of the participants in terms of knowledge, skills and attitudes? Are all participants in the training programme (including the trainer) familiar with these objectives?
- **Trainer qualifications.** Is the trainer qualified to give this course? Did he/she have a strong knowledge of the subject? Was the trainer able to understand local practice as well as international best practice?
- **Trainer communications skills and teaching ability.** Was the trainer able to communicate with all course participants? Was he/she able to inspire trust and confidence? Were the training beneficiaries encouraged/supported/ strengthened by the trainer or

discouraged/alienated/intimidated? Did the trainer understand local practices, priorities and motivations? Did language skills play a role in communications effectiveness?

- **Training materials**. Were the training materials suitable for the participants in terms of language? In terms of effectiveness? Did they support the training objectives or detract from them? Were they up-to-date and balanced in terms of local realities? Were interactive or visual materials used?
- **Training content**. Was the training content suited to the corporate and individual needs? Was it balanced? Was it practical or theoretical? Was enough time spent on the most relevant subjects?
- **Training methods**. Were the methods suitable to the task of transmitting or imparting knowledge? Were they interactive enough? Was action learning applied? Did the training methods encourage participation from all members?
- **Delivery methods**. Were the delivery methods suitable for the participants? Did they support the learning process or complicate/hinder it?
- **Training outputs**. Were there any specific outputs of the training in terms of analysis, reports, or similar products? Will these support the company and the training participants in their ongoing work?
- **Assignments/case studies/field trips, etc.** If such methods were used, were they well-suited to the training? Did they support the transmission of knowledge or the learning process? Did they support the course objectives? Were they appropriate to and/or suitable for the course participants?
- **Course participants**. Were all course participants prepared for the training programme? Were they able to participate? Were there any particular aspects of their preparation (e.g. language ability, communications ability, computer knowledge) which may have affected the training effectiveness and/or their own ability to learn?
- **Facilities and equipment**. Were the facilities and equipment adequate? What could be improved?
- **Other organisational support**. Was other organisational support needed/ available during the training programme?
- **Assessment methods**. Were assessment methods used at the conclusion of the course? Were these methods effective? Were the assessment priorities made clear at the beginning of the course? Do they correspond to the actual course content?

Once again, it is necessary to present a balanced or objective viewpoint that allows not only criticism, but also the potential for future improvement and effectiveness. It is not enough to state that "the materials were bad": what was bad about them, and what kind of materials will

be required in the future? It is often a good idea to separate an evaluation form into "status quo" and "improvement potential" columns (see example on following page).

The results of the training evaluation should be analysed by management, preferably in conjunction with the trainer. This information should then be used to improve future training efforts.

***Figure 16: Sample evaluation questionnaire***

***Kyiv distillery company***
Participant evaluation form: Branding and portfolio management training programme

*Please evaluate the following training course components for their effectiveness*

| | *Degree of Effectiveness* | | | | | *What can be improved?* |
|---|---|---|---|---|---|---|
| **Training materials** | **Excellent** | **Good** | **Acceptable** | **Poor** | **Very Bad** | |
| Presentation slides | ○ | ○ | ○ | ○ | ○ | |
| Lecture notes | ○ | ○ | ○ | ○ | ○ | |
| Textbooks | ○ | ○ | ○ | ○ | ○ | |
| Videos | ○ | ○ | ○ | ○ | ○ | |
| Web site reviews | ○ | ○ | ○ | ○ | ○ | |
| Product samples | ○ | ○ | ○ | ○ | ○ | |
| Annual reports | ○ | ○ | ○ | ○ | ○ | |
| Advertising copy | ○ | ○ | ○ | ○ | ○ | |

## 7.5 *Measuring return on investment of training*

Measuring the return on investment of training programmes is extremely difficult for non-technical functions due to the high number of "intangibles" involved. How is it possible, for instance, to quantify the economic benefit to a company of increased marketing knowledge? If the main indicator for success, for instance, is considered to be increased sales, did these sales increase because of higher skills, or because a competitor went bankrupt?

One methodology adopted by the Society of Human Resources Management was developed by Frances Lilly in a recent White Paper entitled *Four Steps to Computing Training ROI*, SHRM, 2001.

This white paper outlines five main methods or "levels" of training assessment:

- Evaluating the reaction of participants
- Measuring the learning that occurred



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- Assessing on-the-job behaviour
- Identifying business results of training
- Calculating return on investment (ROI)

***Levels of evaluation for determining ROI***[7]

| Level | Objective of measurement | Tool or technique | Comments |
|---|---|---|---|
| 1. Reaction (and planned action) | Participants' reaction to and satisfaction with the content and delivery of training. | Participants' complete evaluation forms and/or develop action plans for implementing new knowledge. | Subjective but has some usefulness. If follow-up is scheduled, participants' action plans will be more realistic. |
| 2. Learning | Skills, knowledge or attitude changes as a result as a result of training programme. | Tests via paper and pencil or computerised format. | Tests must be assessed for validity and reliability. |
| 3. Behaviour | Changes in behaviour on the job as a result of training. | Performance reviews and observations. | Assumption is that if the skills are applied, results will follow. |
| 4. Results | Impact of training on business activities and processes. | Cost reduction, productivity increases, improved quality, reduced labour hours, decreased production/processing time, etc. | Critical tasks are isolating the effects of training and capturing appropriate data. |
| 5. Return on investment (ROI) | Compares the costs of the training programme with monetary results and is usually expressed as a percentage. | Detailed, comprehensive data collection and analysis of costs and benefits. Accounting expertise helpful. Time value of money is a factor. | The most comprehensive and objective evaluation technique, but the process can be very costly and time consuming. |

7 Lilly, F., *Four Steps to Computing Training ROI*, SHRM White Paper, Alexandria, VA, 2001



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Of these, the fifth level is the most comprehensive and quantitative attempt to calculate a specific return. This level has four main steps as follows:

**a. Isolate the effects of training**

In order to determine the effectiveness of training, it is important to measure the pre-training and post-training performance according to a number of specific measurements. Clearly, a number of factors have to be taken into account in designing performance measures: a new computer, for instance, might positively affect the labour hours/task metric in the service area, while an old production line might produce a high level of breakage no matter how much training is implemented. It is important to quantify and measure the effects of training, rather than of other changes.

| Production staff | Service staff |
|---|---|
| • Frequency of errors | • Labour hours /task |
| • Labour hours/unit of production | • Number of customers /staff person |
| • Customer satisfaction | • Customer satisfaction |
| • Scrap, spoilage, defects or breakage levels | • Quality of finished task |
| • Staff absentee rates | • Staff absentee rates |
| • Staff turnover rates | • Staff turnover rates |

**b. Convert the effects of training into monetary values**

The effects of training should be converted into monetary values to as great a degree as possible, using a uniform measure. It may be necessary to quantify both "hard" and "soft" factors: a "hard" factor is something that can be precisely measured, i.e. output/employee. A "soft" factor is an intangible benefit, such as higher job satisfaction, team morale, etc. Some examples of hard and soft factors are:



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***Data for assessing the impact of training[8]***

| "Hard" data | "Soft" data |
|---|---|
| • Productivity measures (quantity or market value)<br>• Quality measures (number and cost of rejects)<br>• Materials lost (scrap, breakage, spoilage)<br>• Labour hours per unit of production<br>• Labour costs per unit of production<br>• Hours of "down time" due to equipment failure<br>• Absenteeism and tardiness rates<br>• Turnover rate<br>• Workers compensation claims - nature and number of injuries or illnesses, days of lost work or "light duty" work<br>• Number of grievances/legal claims/lawsuits<br>• Time required to fill vacant positions<br>• Time required to fill an order; respond to a telephone call; resolve a complaint, etc.<br>• Number of sales or value of sales per customer<br>• Percent of market share<br>• Customer satisfaction rating or index<br>• Number of repeat customers<br>• Accounts receivable over 30, 60, 90 days past due | • Improved job satisfaction<br>• Improved teamwork<br>• Increased organisational commitment<br>• Improved succession planning<br>• Increased communication regarding career paths<br>• More clearly defined promotion opportunities |

**c. Calculating the cost of training**

This methodology has already been discussed in section 7.1. Clearly, the costs need to be modelled, as do the benefits.

**d. Comparing value effects for incurred costs (cost-benefit analysis)**

Finally, a cost-benefit or ROI and/or net programme benefit calculation of training should be implemented. The net programme benefit calculation is simply:

**Net programme benefits = total benefits – total costs.**

8 Lilly, F., *Four Steps to Computing Training ROI*, SHRM White Paper, Alexandria, VA, 2001



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The ROI calculation is equally simple:

**(Total benefits/total costs) x 100**

The following hypothetical case may serve as an example:

Kyiv Distillery Company has calculated that some 150,000 per year is being lost through unsold volumes of its vodka products. The primary factor is poor brand segmentation, a conflicting brand message, and the cannibalisation of market share by new brand launches. Of the 21 different brands of vodka, some 13 are flavoured types, while the remaining 8 are essentially generic but are pitched at different product groups, e.g. hunters, fishermen, luxury restaurants and catering, luxury household consumption, etc.

The company defines a training programme for its sales staff in the field of brand management for FMCG companies. The programme is implemented by Dr. Klaus Wenschel, a German consultant/trainer who was formerly head of marketing at a leading German drinks producer. The total costs of the training programme are 8,130, including corporate internal costs but not opportunity costs.

In the six months following the training programme, Kyiv Distillery Company rationalises its product portfolio from 21 brands to just 11, of which six are flavoured and five are clear types aimed at specific consumer segments. Total sales increase by 56,000 within the six months, with rising sales levels. No other marketing inputs (e.g. advertising, label design, etc.) have been made within this period.

The net programme benefit is therefore:

**Total benefits ( 56,000) - total costs ( 8,130) = 47,870**

If expressed as a return on investment, the calculation is:

**ROI(%) = (total benefits/total costs ) x 100**

**ROI(%) = (56,000/8,130) x 100 = 688%**

As can be seen from this example, it is difficult to calculate training impact from all but the most simple of situations. What would be the ROI, for instance, if Kyiv Distillery Company has re-designed its product labels and launched an advertising campaign as soon as the portfolio restructuring had occurred? Would it then be possible to calculate ROI to a specific number?

## *Further resources*

Some sources on training ROI are:

Cascio, W.F., *Costing Human Resources: The Financial Impact of Behaviour in Organisations*, South-Western Publishing, Mason, OH, 1999

Fitzenz, J., *ROI of Human Capital*, AMACOM: American Management Association: New York, NJ, 2000

Gordon, E., *Training ROI: Answering the Return-on-Investment Puzzle*, SHRM White Paper, Alexandria, VA, 1999

Kirkpatrick, D., *Evaluating Programmes: The Four Levels*, Berret-Koehler, San Francisco, CA, 1998

Lilly, F., *Four Steps to Computing Training ROI*, SHRM White Paper, Alexandria, VA, 2001

Phillips, J., *Return on Investment in Training and Performance Improvement*, Gulf Publishing, Houston, TX, 1997

# Annex I
# Principles of success in project design and management

## *General principles*

The management development process is an extremely sensitive one, particularly if it involves external consultants or specialists determining personal skill levels and carrying out performance assessments. It is not easy for many corporate managers or specialists to accept the need for evaluation, or to admit that their skills may need to be improved or enhanced. In the New Independent States, the situation is even more difficult due to the lack of experienced managers and management development resources. Before 1989, the principles of successful corporate management were entirely different from those seen in today's more competitive market economy[9].

Yet wherever a management development programme takes place, people are acutely aware that their performance is being evaluated and that the results of this evaluation may have a dramatic and instant effect on their position, their work and their livelihood. For this reason, a management development project has to be designed carefully (and particularly in the initial needs assessment stage) to ensure that:

- All parties involved are aware of the objectives of the project
- The basis for performance assessment is clearly established
- The reporting system and results distribution are made in a transparent manner
- The impact of the assessment is attributed to each position and individual

At all costs, executives should avoid the situation where a poorly-defined and poorly-communicated project alienates key staff, creates unnecessary tension and increases the chances of staff defections to competitors or other companies.

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9 For an interesting presentation of management incentives during the period of the Soviet Union, please refer to Filonovich S., *Assessing Management Training Needs in Central and Eastern Europe: Survey of Selected Enterprises in the Moscow and Urals Regions, Russian Federation*, European Training Foundation, Torino, and CEEMAN, Bled, 2000

In addition to the risks of staff alienation, a management development or training project requires very clear design, monitoring and output definitions to ensure that:

- The project objectives correspond to actual corporate needs and are achievable
- The direct financial resources invested in the project yield a result
- Valuable management time is not wasted in counterproductive interviews or exercises
- Corporate confidentiality is preserved
- Future projects are not endangered by an improperly executed project that engenders resistance to change

Some basic principles of successful management development project design and implementation include:

- **Ensure strategic clarity**

  The design and objectives of the management development project have to clearly support the overall corporate strategy.

- **Establish clear management responsibility**

  A clear operational responsibility has to be defined, involving not just decision-making capability, but more importantly the time and resources needed for day-to-day management. As a project unfolds within a company, there are a number of tasks which must be implemented, from scheduling and co-ordination to information and communications flow. Many companies choose to run a management development programme at the CEO or Board level, but nominate an internal project manager to ensure that the project runs smoothly.

- **Ensure management "buy in"**

  In order to ensure success, key managers and staff have to be convinced of the importance of a development initiative. This is often impossible without clearly defining the strategic imperatives for the initiative, as well as the personal consequences for those involved. Adequate time should be taken by top management to ensure that key staff figures are fully briefed, are aware of the importance of the project, and are reassured as to the consequences or implications of the project.

- **Define the line of communications and reporting structure**

  In supporting management buy-in and responsibility, it is necessary to have a clear communications policy and reporting structure. This is to ensure that the right people get the right information at the right time, as well as to prevent potentially damaging rumours from spreading within the company. Communications should be two-way: both key decision-makers and other participants should be kept up-to-date. Communications should include a mix of written and "live" (face-to-face) communications, either through personal

briefing or collective events. Relying only on written communications is often not effective enough.

- **Establish terms of engagement for external consultants**

  If a company chooses to employ external consultants, it is imperative to clearly establish the terms of engagement for the consultant team. This should include a clear initial interview list, the subject of the interviews, the time allowed, and the method of reporting and analysis. It can be extremely damaging to allow a team of consultants to roam unrestricted through a company, creating expectations and consuming time and resources. At the same time, corporate personnel must be instructed to co-operate with the consultants and be given guidance as to the types of information that are authorised for release.

- **Ensure confidentiality**

  A critical aspect of management development is to ensure confidentiality. While this is often accepted at an intellectual level by both consultants and managers, it is almost never implemented at the operational level. Confidentiality has to be ensured at two basic levels:

  - Within the company, to prevent information such as personal assessments or decisions on employee retention or contract termination, from being prematurely released
  - Outside the company, to prevent competitors from gaining critical information on a company's operations, staff and procedures

  Confidentiality has to extend to all levels of interaction, and should above all include notes, documents, data as well as the future conduct of external consultants.

- **Define direct and indirect resources**

  The direct and indirect (or financial and non-financial) resources for a project must be defined. A management team will often define a project budget without taking into account the cost of their own time and internal resources (meeting rooms, communications, secretarial time, others). Furthermore, managers should make contingency planning for cost-overruns and follow-up work.

- **Develop monitoring and feedback structure**

  If a project involves over one month of project time, a monitoring and feedback procedure should be developed to ensure that progress is evaluated and everyone is kept informed of developments. While this is related to the communications and reporting structure, the monitoring functions ensures that:

  - Executives are kept informed of progress at regular intervals
  - Changes in project methodologies or teams can be made if required
  - Support of key groups can be offered if needed

Monitoring and feedback is more inter-active and interventionist in nature than communications and reporting, and will vary depending on the type of project defined

- **Evaluate success, failure and impact**

  A method of evaluating the success, failure and impact of the project on the corporate organisation and management should be ensured. This is necessary to measure whether or not the programme has met its objectives; to evaluate the return on investment of the activities undertaken; and to define any required follow-up or future activities.

If the project is to be financed by a development organisation such as the European Commission's Phare or Tacis Programmes, corporate managers should ensure that:

- They are committed to the terms and scope of the project
- They have an active voice in evaluating the consultants or trainers chosen for the project
- They are able to differentiate the responsibilities of corporate management versus those of the consultants or trainers
- They allocate sufficient staff resources (including staff speaking the languages of the external team) to deal with all eventualities
- They insist on the full accountability and transparency of the project team and its activities
- They understand the legal and/or accounting requirements of the donor in question

In too many cases, corporate executives are unwilling to criticise or take control of project teams or consultants financed by donor organisations, simply because someone else is paying. Unfortunately, this tends to waste valuable time and other resources within the company, engender hostility to future management development initiatives, and encourages poor quality standards in future projects.

## *Instructions for managers*

The process of implementing a management development project can be both extremely rewarding and extremely difficult. It may involve making an objective and possibly painful assessment of employee performance. For the manager of a company operating in the New Independent States, there are numerous constraints to defining and implementing such a project:

- **Professional staff is hard to find**

  Professionals that have either been educated internationally or have work experience in a multinational company are difficult to find, difficult to recruit, and difficult to retain without offering either astronomical salaries by national standards or even equity in the

company. The "special" skills and profile of such individuals may make it difficult for them to accept the need for further training or skills development.

- **Growth is sometimes too rapid to deal with management development**

  When successful companies in the New Independent States grow by 50% in terms of turnover per year, it is often difficult to see the need for management development, or to find qualified training providers or consultants to do it. It is often more tempting simply to "throw more people" at the problem of managing growth, rather than ensuring that the growth is sustainable and the company is prepared for a possible downturn.

- **Some information is too valuable to be released to outsiders**

  This is particularly a problem given the lack of qualified consultants/trainers as well as the often sensitive business plans being developed. Since it is not unusual for a major investment decision to have a time horizon of two to four months, any information leaks about the decision to competitors may have drastic consequences.

- **Key staff are still operating by old-style standards, yet are irreplaceable**

  This is often the case for manufacturing companies operating certain types of plant or equipment, or managers that occupy key positions due to their political or tax-related contacts or connections. It is often cheaper to hire a second manager to do the real work, than to risk antagonising a key figure of this sort.

Clearly then, the scope of identifying and implementing a management development project will depend on the type of project to be implemented, the resources available, and the specific situation in each company. Some specific recommendations for corporate managers in the region in terms of project definition and management include:

- **Define a project clearly and effectively**

  All too often, the definition of a problem is as important as the allocation of resources to solve it. Training will not guarantee more effective corporate performance, for instance, if compensation is not in line with market rates. For this reason, management development has to take place within a strategic corporate framework, and the better a project is defined, the greater its chances of success.

- **Get the truth**

  One of the most difficult tasks any manager has is to determine the real, objective truth of a situation. In many cases, existing opinions or prejudices are repeated or magnified if the correct sources of information cannot be identified and if these sources are not encouraged to speak out honestly and openly. It may also be necessary to go beyond corporate staff and seek input from clients, suppliers, competitors and other external partners such as financial institutions.

- **Create an incentive for change**

  Training and other management development activities are often seen as an incentive or a benefit by staff. This tendency should be encouraged as far as possible. By casting management change in a positive light, it is easier to gain co-operation from key internal groups.

- **Ensure that the benefits of change are spread throughout the organisation**

  Too often, the benefits of training, management development or other programmes are restricted to corporate headquarters. This has the effect of marginalising or ignoring key groups, for instance staff in remote production or distribution units. Even if a change project does not focus on all parts of the company, it is useful to at least inform all corporate managers and specialists that the programme is underway, and explain the impact this may have on them.

- **Develop a tendering process**

  All over the world, corporate executives tend to rely on personal recommendations from friends, family or other decision-makers in selecting a consultant or trainer. Experience shows that it is better to take these recommendations into account, but to develop an objective tendering and evaluation process designed to identify the best choice available in a specific market.

- **Select the right consultants/trainers**

  Several factors need to be taken into account in selecting the right consultants/trainers, in addition to simple price considerations. These are:

  - Experience: Consultants or trainers should be selected based on real project experience that can be confirmed through client references. A project reference should not be treated as a mere formality, but should be followed up to determine a training provider's track record.

  - Planning: Management development projects often run over time or over budget due to conflicting demands on management time, the inability to get everyone together at the same time and other priorities. Proposals should contain an element of contingency planning as well as realistic, high-quality project planning.

  - Personal style: The interview and work styles of an external training or consultancy provider should be evaluated during the selection interview. All too often, an arrogant or abrasive consultant can alienate corporate staff. This is particularly a problem with some university lecturers who may not be able to relate to life outside the classroom.

- **Ensure that consultants/trainers work for the company, and not the other way around**

  In some cases, an external consulting or training team may be more interested in applying an existing methodology or training product, rather than developing a truly customised approach that meets corporate needs. This approach sometimes occurs among academic institutions offering training or consultancy. Existing curricula are applied, which may be entirely theoretical or ill-suited to the reality of business operations in the New Independent States. Ensure that all training materials or methods are cleared in advance, and do not hesitate to question the methods or materials, or to request revisions.

- **Allocate management time**

  Finally, the most important thing is to allocate the time of senior or top management to the project. It is not enough to identify that there is a problem, to recruit consultants or trainers, and then to sit back and get on with business. The process of change is difficult and long lasting. A personal presence at training sessions, a visible interest and commitment to the project, and continual monitoring of the situation will all contribute to success.

## *Instructions for trainers*

This section is intended for training and consulting staff drawn from business schools and other academic institutions. It is designed to help academic staff adapt to the requirements of the private sector. No amount of theoretical instruction, however, will substitute for actual experience of in-company consulting.

There are both positive and negative aspects associated with developing a consultancy or corporate training function as a key component of an academic institution. The positive aspects include:

- **Academic institutions are associated with high value**

  Corporate managers and staff tend to have a high degree of respect for university lecturers and professors at the most general level.

- **Basic management skills (e.g. MBA skills) are in demand**

  This allows management training institutes to use existing curricula as a basis for in-company consulting or training courses and to establish links with business community. It also provides an opportunity to develop client leads and possibly to cross-sell products and services (e.g. executive education, management retreats, team-building etc.).

- **Academic institutions are exposed to international management practice**

  This can increase the transfer of potentially useful management information from more competitive market economies to the New Independent States.

- **Cost structures are covered by regular curricula and students**

  Consultancy or training can therefore be offered as an additional profit centre with a low additional start-up and operational cost component. For instance, training and office facilities have already been fully absorbed into the normal budget of the institution.

However, experience has shown that there are also some common mistakes made by academic institutions trying to enter the training/consultancy market. These are:

- **Classroom training or analysis do not always work well in "the real world"**

  A corporate manager is often not looking for a PhD level of intensity in terms of corporate analysis, but wants a needs analysis that clearly and coherently identifies the problem issues and develops a solution tailored to that company's needs and resources.

- **Time is money**

  It is often impossible to spend as much time as would be optimally required on needs analysis or curriculum development. Resources available for training or other HR development are often very limited, while results are often required quickly. For this reason, it is necessary to have a rigorous analytical capability that will identify key issues, support corporate decision-making, and move onto implementation. Trainers should be sure to focus on the output and the way forward, rather than on analysis for the sake of analysis.

Some issues to take into account during the development of a specific project include:

- **Never start work without a contract and a down payment**

  The contract should be extremely clear about the responsibilities of both institutional consultants/trainers as well as the contracting company. Whether this is defined in terms of the number of man-days allocated or the availability of client staff during needs analysis and training time, it is important to have a written framework prior to starting a project. A 50% down payment tends to clear a client's mind wonderfully before a project is launched. This is particularly needed given the high rate of change among both companies and corporate managers in the New Independent States.

- **Establish a clear time frame**

  This is always harder than it sounds, particularly if a corporate client has operations in different cities or countries. Getting all the people required in the same room at the same time can be quite difficult, and there are often last minute changes. An institution should make it clear that staff time is valuable, and critical training sessions or research interviews cannot be delayed or postponed indefinitely. Some practical tips for ensuring that a project moves forward include:

- It is often better to travel to a client or interview partner, rather than wait for that partner to travel to an outside facility. While this increases costs, it also ensures that the work gets done. It also gives valuable insight into work in progress at a company, the pace of business, working atmosphere, etc.
- If the budget is not available for in-company work, critical corporate-wide events can be held during a special corporate retreat, or during a planned event such as an annual general meeting.

Again, this may sound simplistic, but a project will very often encounter delays because the right people are not in the right place at the right time.

- **Maintain a polite but focussed interview style**

  Interviews will often wander all over the place because of a lack of focus. A trainer should not be afraid to repeat a question, to interrupt an interview partner firmly but politely, and get the interview back on track. The only way to develop a good interview style is lots of practice. Textbooks or manuals on interview styles, questionnaire development etc. may be useful, but at the end of the day it comes down to personal sensitivity, empathy and ability to communicate. This can only be developed through practice in actual corporate consulting or training situations.

- **Work objectively**

  It is important to remember that each company is unique, and that each corporate manager or staff has his or her own specific background, personal knowledge and experience. There are no "right" or "wrong" answers during interviews. A trainer/consultant should work objectively and professionally and not treat clients like bad students. Some bad habits to avoid during interviews include:

  - Asking leading questions
  - Giving a personal judgement or response
  - Implying that an interview partner is wrong or not answering correctly
  - Drawing pre-existing conclusions to fit an idealised business model

- **Treat all information confidentially**

  Compliance with confidentiality is always referred to, but rarely followed up in practice. Client reports or presentations are left on unsecured PCs, documents are left in the photocopy room, and in a worse case scenario, a consultancy project becomes an academic case study without the client giving approval. Companies in the New Independent States will often be dealing with business opportunities that open and close in a matter of months. Client information should never be disclosed to any third parties, and certainly not without prior permission given by the client.

## *Additional resources*

There are numerous guides and other resources for "learning" the profession of consultant or trainer as well as managing projects. Some particularly useful ones include:

Kubr, M., (ed), *Management Consulting: A Guide to the Profession*, ILO, Geneva, 1996

Kubr, M., (ed), *How to Select and Use Consultants: A Client's Guide*, ILO, Geneva, 1999

Prokopenko, J., (ed), *Management Development: A Guide for the Profession*, ILO, Geneva, 1998

# Annex II
# The basis for assessing corporate operations in the New Independent States

It is necessary to maintain both an objective viewpoint as well as a knowledge of "real world" operations in assessing the management performance of a "typical" company in the New Independent States. Corporate management can have very different forms, and because a specific company does not use a textbook management style or system does not preclude it from being successful. Business conditions in the New Independent States are very different from those in Western Europe or North America, where different standards of information disclosure and corporate management exist[10].

This annex aims to provide a few insights into how companies in the New Independent States differ from western European companies in terms of internal management functions:

- **Strategy is often based on short-term reaction to market opportunities**

  The rigorous strategic approach to strategic analysis and opportunity management such as that seen in General Electric (return on equity targets; leading position in each sector) or Nestlé, is often not the case in the New Independent States. A conglomerate approach often does yield benefits, even if these are difficult to measure by standard methods. For instance, the "core competence" approach to corporate management specifies that each company should focus on a narrow set of operations in which it can attain a significant competitive advantage. In the New Independent States, however, a drinks production company may

10 Extensive research has been done by a variety of sources on business performance and management operations in Central and Eastern Europe and the New Independent States. Some research which may prove useful in understanding some of the basis for operations in this region include:
Carlin, W., Fries S., Schaffen M., Seabright, P., *Competition and Enterprise Performance in Transition Economies: Evidence from a Cross-Country Survey*, European Bank for Reconstruction and Development, London, 2001
Filonovich, S., *Assessing Management Training Needs in Central and Eastern Europe: Survey of Four Selected Enterprises in the Moscow and Urals Regions, Russian Federation*, European Training Foundation, Torino, and CEEMAN, Bled, 2000
National Observatory of Kyrgyzstan, *Kyrgyz Enterprise Study: A Report from the Training for Enterprise Development Project*, European Training Foundation, Torino, 2000
*Some Examples of Successful Restructuring Experiences*, Tacis Technical Dissemination Project, Directorate-General for External Relations, European Commission, Luxembourg, 1998

branch into direct distribution, and set up a trading house to handle other products as well, simply because the returns are so high, or because an alternative solution does not offer a stable basis for development.

- **Corporate structure and staffing is often the result of necessity, rather than planning**

  The idealised, lean corporate organisational structure is often difficult to find. Necessity often requires overlapping or "heavy" structures, with a high emphasis on over-employment rather than the opposite. A classic model is seen in a Ukrainian car battery manufacturer the author worked for in 1999. The company had its own facilities management and utilities management staff, complete with heating technicians, carpenters, security forces, etc. It was surprising to see that the staff numbered nearly 200, against a production force of 360. A typical western approach would be to outsource these people and concentrate on the core competence of producing car batteries. Yet without these peripheral staff, the factory simply would not function.

- **Corporate ownership (formal and informal) may be opaque**

  The classical model of shareholders - board of directors – president – departmental directors and so on may not exist. Instead, multiple companies, including holding companies, trade companies, suppliers, financial institutions, even research institutions co-exist in a sometimes bewildering array of interests. The reason for this is often related to tax requirements. Again, western management practice would consolidate everything under one roof to control all aspects of the production and sales cycle. In the New Independent States, this is often not possible. The holding company model is often prevalent in companies in the New Independent States.

- **Parallel accounting systems are common**

  Parallel accounting systems often exist to satisfy international as well as national cost accounting, financial monitoring and tax accounting requirements. It is often difficult to gain a real understanding of corporate profitability without a specialised financial consultant or trainer able to combine national with IAS/GAAP accounting procedures.

- **Assets (plant and machinery) are often totally depreciated**

  Asset costs in the New Independent States are often much lower than in the West, at least for factory sites or buildings outside city centres. Similarly, production machinery dating to the Soviet GOST standard is often still in operation, far beyond its depreciated life span. While cost inefficiencies may arise from utilities and maintenance costs or defect rates, it may still be extremely profitable to produce on this machinery.

- **Product life cycles are much faster than in the West and have different characteristics**

  The classical product life cycle curve as seen in western management textbooks exists in a different form in the New Independent States. In many countries, a company (particularly in the FMCG sector) is required to launch several new brands or products *each year* in order

to hold market share and retain a reputation for innovation. Given that a product launch is never funded or researched to the same extent that it would be in the west, this is manageable. In many cases, if a company does not have a new offering at least once per year, it may be considered a declining company.

- **Corporate remuneration policies may differ radically within an organisation**

  A primary disparity in remuneration is seen in salary scales. Companies usually have to adopt a totally different pay scale for western trained nationals than locally trained nationals. In one case, a New Independent States – Asian joint venture had a foreign financial director who was making at least 100% more in dollar terms than his local managing director. Similar imbalances are seen in some western-trained specialists, who sometimes make more than their New Independent States-trained departmental managers.

- **The position of human resources manager usually does not exist**

  If there is an HR manager, this individual is usually dealing with personnel administration, i.e. payroll, vacation, etc. As such, he/she may report to the director of finance or the director of administration. Responsibility for determining and approving training needs or training programmes is often left to the managing director or president, particularly in small or medium-sized enterprises.

- **Emphasis may be placed on social benefits rather than on other incentives**

  This is often a legacy of older planning systems, where cradle-to-grave employment benefits and generous peripheral incentives (workers' canteen, in-company medical assistance, corporate holidays, etc.) were prevalent. Even in cases where a direct cash compensation or incentive would be more effective, social compensation prevails.

- **The employment situation is radically different for professional and line employees**

  For most unskilled, semi-skilled or "traditional" or line staff, it's definitely an employer's market in the New Independent States. Given the low rates and high bargaining power available to employers, there is often over-staffing at lower, unskilled staff levels. In many cases this leads to a situation where it is more profitable to adopt a semi-automated production strategy rather than a fully-automated strategy (particularly since machinery and equipment will have to be paid in foreign currency and imported at high tariff rates). The opposite is true for some professional positions, such as IAS/GAAP-proficient accountants, marketing staff, etc. These positions are usually in very high demand, particularly if they have multinational or foreign experience and an international education.

  There will no doubt be many other differences from classical management theory expressed in *Harvard Business Review* or leading management texts. Each company should be judged on its own performance, avoiding excessively theoretical or academic approaches and judgements.

# Annex III
# The analytical framework

This annex provides an analytical framework for evaluating training and non-training needs within companies in the New Independent States. This framework supports the management development needs assessment (chapter three), and in particular the first step of the gap analysis (section 3.1.1).

This framework is intended as a partial resource. Consultants and trainers are free to choose the specific tools, which may be of use to them, and to supplement these processes here with their own methods and expertise.

***Corporate strategy analysis***

| | |
|---|---|
| **Objectives** | The objectives of corporate strategy analysis are to:<br>• Determine the critical priorities, resource allocation and performance indicators of a company's strategy<br>• Evaluate whether or not the strategy is formally expressed and transmitted throughout the organisation<br>• Determine whether or not the people responsible for implementing the strategy have the right skills and qualifications<br>• Determine whether or not training is required in the field of corporate strategy, and for which staff positions<br>• Determine whether or not corporate strategy takes human resources into account, and what means are available for HR development, knowledge management, skills acquisition, etc.<br>• Outline what changes will need to be made in corporate HR management to support the current and future operations of the company, based on the stated strategy |
| **Responsibilities** | There is often a division of responsibilities for strategy formation versus strategic management in companies in the New Independent States. This will depend on the extent to which corporate owners are involved in the active management of the company. Some key positions to interview include:<br>• Owner/shareholder<br>• Chief executive<br>• Vice president/director for investment<br>• Vice president/director for marketing |

| | |
|---|---|
| **Responsibilities (Cont.)** | If the company is heavily reliant on technology (e.g. a company running a Tetra Pak juice line will have a very clear technical strategy), then the technical director or quality director will have to be interviewed. This also applies if the company is implementing some major strategic initiatives, for instance:<br>• Developing a national sales network: the trainer will have to interview the main people responsible for implementing this strategy<br>• Implementing an ISO 9000 quality management system: the trainer will have to ensure that a quality manager and quality circle are in place and that these managers are qualified to work with ISO |
| **Process** | The process of strategy analysis should include a mix of direct interviews as well as document reviews. If there is a formal, written strategy, it should be reviewed to determine its viability and coherence. If the strategy is not formally expressed but is provided by a chief executive or owner/ manager, the consultant will have to analyse the extent to which the strategy actually guides operational decision-making.<br>In each case, the strategy has to be cross-checked at various levels within the organisation to determine whether or not it is actually being implemented, whether or not corporate staff have the skills required, where training or recruitment are needed, etc. |
| **Methods** | Analytical methods:<br>• Personal interviews<br>• Document review<br>• Cross-check within sales, profit/loss analysis or acquisitions analysis<br>• Cross-check within related corporate positions and functions |
| **Tools** | Various methods of strategic analysis exist. Some popular tools include:<br>• MOST analysis (mission, objectives, strategies, tactics)<br>• SWOT analysis (strengths, weaknesses, opportunities, threats)<br>• Boston Consulting Group (BCG) growth – share approach<br>• General Electric market attractiveness – competitive position approach<br>• Business audit approach |
| **Outputs** | An understanding of the major corporate activities envisaged within the next two to 24 months, which will establish the benchmark or basis upon which to analyse current and future HR and training needs. |
| **List of resources** | |

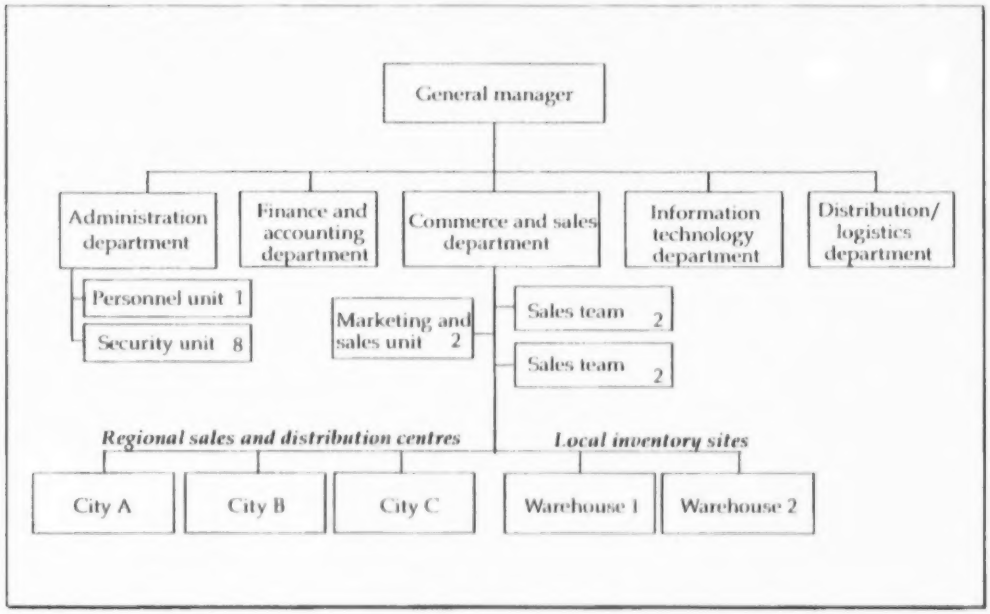
Strategy checklist

- What is the corporate strategy? (list the main points).
- Is there a formal, written corporate strategy?
- Who is responsible for developing the strategy?
- How often is the strategy reviewed or updated? Who is responsible for this?
- Does the strategy reflect market requirements and external conditions?
- Does the strategy have a clear decision-making element, including ROI targets, sectors of activity, etc.?
- Does the strategy extend into functional areas of the company, such as marketing, technology, distribution, production, finance, etc.?
- Is the strategy resourced? What is the link between strategic objectives and allocated financial or staff resources?
- Is the strategy communicated throughout the organisation?
- Is it being implemented, or does it remain on paper?
- Is it successful? Please give specific examples. How could it be improved?
- Does the strategy take people into account? Is there an HR component?
- What are the implications of the corporate strategy on corporate human resources? Does the company have the people and skills necessary for implementation?
- Based on the strategy, what kind of skills and people will the company need one year from now? Two years from now?
- How can these people and skills be acquired? Training? Recruitment? Business process development?
- Are there any impacts of the corporate strategy on the corporate compensation system?
- Is training required in the function of strategy analysis and development? If so, list various issues in which training is required, and include the target group.
- Will the company rely on internal or external resources for developing the HR capacity to implement the strategy?
- Has the company worked with external training providers, recruitment or compensation specialists, or human resource specialists? What were the results?

### *Organisational structure and staff distribution analysis*

| | |
|---|---|
| **Objectives** | The objectives of analysing the organisational structure and staff distribution are to:<br>• Chart the main organisational units and associated business processes within the company<br>• Correlate units and activities with staff allocation<br>• Determine inter-unit communications and decision-making<br>• Check the initial quality of business processes<br>• Determine the skills profile of the company |
| **Responsibilities** | This is not an analysis that can be implemented immediately through a single interview. The company will often have an organisational chart, but the major staff positions usually have to be interviewed individually. It is usually sufficient to interview the main departmental and unit heads, although in a few cases it is necessary to interview some specialist levels of personnel (e.g. brand specialist, quality specialist). |
| **Process** | Again, the most effective process usually comprises direct interviews and document review. Unless a single consultant/trainer has been tasked with this job, it is a good idea to include a standard interview questionnaire, to make sure that information is collected from all parts of the company. |
| **Methods** | Analytical methods:<br>• Personal interviews<br>• Document review: organisational structure, skills charts (if any)<br>• Cross-check within consultant team |
| **Tools** | The most effective tools are usually:<br>• A PowerPoint organisational structure<br>• A qualification distribution chart |
| **Outputs** | A chart presenting the major organisational units and their staff allocation<br>An indicative analysis of distributed skills/ qualifications<br>Please refer to the sample charts on the following page. |
| **List of resources** | |

***Figure 17: Sample organisational structure***




Comments on the above organisation structure might include:

- The personnel unit is dealing mainly with personnel management, i.e. staff payroll, holidays, etc. There is no human resource function as such
- The marketing and sales unit is working entirely on contracts with customers: they are more a sales management team, and are not implementing any real marketing functions
- Enhanced inventory and supply chain management functions may be required as the company grows to national status

A sample analysis of staff distribution at the management level (actual example). The distribution of qualifications for the entire company was:

| Degree Level | Staff (%) |
|---|---|
| Basic education (9 years) | 44% |
| Special technical vocational education (9 years + 3) | 20% |
| High school diploma (9+4, equivalent to GCSE or 'A' level) | 32% |
| University degree | 4% |



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The qualifications and employment record profile of the top management was:

| Name | Position | Degree | Age | Years at Firm |
|---|---|---|---|---|
| | President | Higher technical education economics | 38 | 4 |
| | Managing director | University degree economics | 49 | 29 |
| | Finance director | University degree economics | 56 | 29 |
| | Commercial director | Economics university degree economics | 52 | 16 |
| | Technical director | Technical university degree engineering | 42 | 19 |
| | Production director | Higher technical education engineering | 52 | 30 |
| | Head, quality department | Technical university degree, engineering | 55 | 16 |

The conclusions expressed in this case:

- The company clearly shows indications of having personnel with a high degree of technical skills on existing production lines. However, modern skills in sales and marketing in the western sense do not exist (this was confirmed by interviews with the marketing and sales unit).
- The fact that all senior management have been at the company for over 15 years has both positive and negative implications. On the positive side, it means that the managers are dedicated to the company and understand its operations. On the negative side, it means that there is no direct experience in post-transition, competitive companies.

Some important factors to look for in qualification analysis include:

- Languages
- Experience in post-transition work environments
- Supplementary training or specialised training
- Knowledge of modern management practice
- Understanding of developments in sector of operations

Some sample analytical frameworks are shown on the following page. These may be revised to suit a particular project as needed.



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**Departmental staff qualifications and distribution analysis**

| | |
|---|---|
| Interview partners: | |
| Interview conducted by: | |
| Place, date, time: | |

| | |
|---|---|
| Department name: | |
| Department manager: | |
| Total employees: | |

**Organisational structure:** (please draw organisational structure, or append company's version of chart)

**Staff qualifications chart**

| Name | Age | Degree/training course | Years with co. | Training needs/comments |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
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## *Business process analysis*

This section comprises guidelines for analysing the major business processes within a company. This has been differentiated from strategy and organisational structure due to the need to implement the analysis usually within the departmental or unit level. These processes do not include human resources, which have been grouped under a separate section due to their importance.

The functions analysed here include:

1. Marketing and sales
2. Distribution
3. Manufacturing and production
4. Supply chain management
5. Purchasing
6. Quality management
7. Finance and accounting

These seven processes have been chosen because of their importance to operations of an "average" company in the New Independent States. Additional fields or sub-fields could be defined as well, and the user of this tool kit is welcome to do so for his/her personal work area and field of interest.

## 1 *Marketing and sales*

| | |
|---|---|
| **Objectives** | The objectives of the marketing and sales analysis are to:<br>• Determine marketing strategy of the company<br>• Review marketing tools and processes employed<br>• Define training and HR requirements needed |
| **Responsibilities** | There is almost always a "commercial" director, or even a marketing and sales director, in every company. In some companies, this is quite a new position (and in some cases was invented the day before the consultants arrived for work!).<br>Due to the importance of this function, it is usually beneficial to interview at least two to three positions in marketing. These should definitely include both headquarters and regional staff. |
| **Process** | The main process is personal interviews. However, in the case of marketing there is usually good data available (good from the viewpoint of determining if the responsible managers know what they are doing). In this case, document analysis is both necessary and useful (see below). |
| **Methods** | Analytical methods:<br>• Personal interviews<br>• Analyse sales of past three years<br>• Evaluate marketing materials (brochures, price lists, etc.)<br>• Analyse formal marketing strategy or annual plan (in most cases this does not exist as a formal, written document)<br>• In some cases, external interviews with customers or suppliers are very useful |
| **Tools** | • Closed or open ended questionnaires<br>• Pareto analysis of clients/sales<br>• A-B-C analysis of clients ("A-B-C" is a system whereby clients are grouped into three categories (A, B and C) based on the volume of products sold, and a discount rate is established according to the volume level)<br>• Product turnover/product profitability<br>• Regional distribution of sales |
| **Outputs** | • Analysis of current marketing situation<br>• Analysis of marketing training needs to meet corporate priorities and business strategy |
| **List of resources** | |



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**Marketing analysis guidelines**

| | |
|---|---|
| Company: | |
| Interview partners: | |
| Interview conducted by: | |
| Place, date, time: | |

**General marketing strategy**

- Please describe the general marketing strategy of your company.

**Market research**

- What are the main methods of market research used by your company?
- Are there any formal marketing reports used? Please give examples.
- What kind of market research would you like to have?
- How do you evaluate the potential success/failure of a new product?
- Do you implement focus groups?

**Market positioning and identity**

- What are your target markets?

**Do you have a segmentation strategy? What is it?**

- How do you allocate resources per segment?
- How does your product/service mix support your segmentation strategy?
- What are the unique selling points of your company?
- What is the brand message of your company?
- How do you communicate this?

**Portfolio analysis**

- How do you establish product categories in your portfolio?
- Is there potential for line extension?
- What are the main value segments?
- Do you track product life cycle? If so, what indicators do you use? (sales volume, profit, rate of growth, etc.).
- Do you use any methods to improve/manage product life cycle?



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**Branding**

- Is branding important for your company?
- Is branding important for individual products?
- How do you establish brand value?
- What do you invest to maintain/build brand value?

**Customers**

- Who are your customers?
- Do you segment customers? (e.g. large distributors, small distributors, retailers, catering, etc.).
- How have your customers changed over the past two years?
- Do you see any changes in the customer/retail structure for your product?
- Do you implement some form of customer analysis? (e.g. A-B-C, etc. ("A-B-C" is a system whereby clients are grouped into three categories (A, B, and C) based on the volume of products sold, and a discount rate is established according to the volume level)).

**Customer service**

- What service requirements do your customers have?
- Are you meeting these? Exceeding these?
- Do you find that customer service establishes a competitive advantage?
- Do you have key account managers? How do they work?
- Do you have regular meetings with customers? What do you discuss?
- Do your customers ever complain? If so, what procedure do you use in response?
- Do you have a customer database?
- Do you track profitability by customers?

**Pricing and credit policy**

- Please describe pricing policy.
- Please describe credit policy.
- Do you use an A-B-C analysis of clients or similar system?
- How do you manage discounts or credit terms?
- Are your product prices flexible?

- How do you price at different market segments?

**Advertising**

- Do you advertise?
- What kind of advertisements do you buy? (print, TV, radio, etc.).
- What kind of budget do you have for advertising?
- Who creates the advertisements?
- Do you monitor advertising effectiveness?
- Who are your advertisements designed to reach?
- Do your competitors advertise? Please describe.

**Promotions**

- What kind of promotions do you undertake?
- Do you do in-store promotions?
- What other kinds of promotions are possible? (cars, prizes, etc.).
- What do your competitors offer?

**Point of sale materials**

- What kind of point of sale materials do you use?
- Do you give refrigerators/lighting fixtures/racks/other units? Are these well-accepted?
- How do your point of sale materials compare with your competitors?

**Merchandising**

- Do you implement store checks/shelf checks?
- Do your sales agents/delivery staff check merchandising and shelf positions?
- Do your competitors?

**Distribution**

- Please describe current distribution system.
- Is the main emphasis on distribution intermediaries, or direct to retail?
- How do you manage inventory levels in distribution centres?
- How quickly can you fulfil an average customer order?

- How is the distribution system changing?

**Quality**

- Does quality play a major role in your product marketing?
- Do you comply with any international standards, e.g. HACCP, ISO?
- Do your customers require quality?

**Competitors and market share**

- Please list your direct competitors
- Please list all directly competing products in the chart below:

| Competitor 1 | Competitor 2 | Competitor 3 | Competitor 4 | ..... | Client |
|---|---|---|---|---|---|
| Brand 1 | | | | | |
| Brand 2 | | | | | |
| Brand 3 | | | | | |
| Brand 4 | | | | | |

- Do you have any market share data? If so, please describe.
- Do you plot product/brand positioning in a value/volume matrix or other matrix?

**Market opportunities**

- **What kind of short-term market opportunities do you see?** Long-term?
- Are there any products missing from your portfolio that you should have?

**Personal skills and qualifications**

- What is your own background in marketing and sales?
- Have there been any training programmes in your company in this field?
- Do you see the need for training in marketing and sales?
- Do you know of any good training providers in this field in your city? Country? Internationally?
- Who else in your department/unit might need training?
- Who else in your company might need training?



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- If you could choose any three topics to receive training in, what would they be?
- Marketing and sales skills are usually acquired through practical experience. What kind of contents should be included in a training programme of this type?
- Have your competitors had training in marketing and sales?

**Sales analysis formats**

- In some cases, it is worthwhile doing a quick sales analysis to confirm that the company:
  a. Has the data available
  b. Is really in the position it claims it is in
  c. Has the track record and resources to implement its strategy
  d. Understands strategy in terms of market performance.
- Some sample sales analysis formats are given on the following pages. This is a good example of why internal corporate data are confidential and should be safeguarded.

### *General sales performance*

**Sales volume (units)**

| Product category | 1998 | | | | | 1999 | | | | | 2000 | | | | | 2001 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 |
| **Product group** | | | | | | | | | | | | | | | | | |
| Product name 1 | | | | | | | | | | | | | | | | | |
| Product 2 | | | | | | | | | | | | | | | | | |
| Product 3 | | | | | | | | | | | | | | | | | |
| Product 4 | | | | | | | | | | | | | | | | | |
| ..... | | | | | | | | | | | | | | | | | |
| **Product group** | | | | | | | | | | | | | | | | | |
| Product name 1 | | | | | | | | | | | | | | | | | |
| Product 2 | | | | | | | | | | | | | | | | | |
| Product 3 | | | | | | | | | | | | | | | | | |
| Product 4 | | | | | | | | | | | | | | | | | |
| ..... | | | | | | | | | | | | | | | | | |



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**Sales turnover ( )**

| Product category | 1998 | | | | | 1999 | | | | | 2000 | | | | | 2001 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 |
| **Product group** | | | | | | | | | | | | | | | | | |
| Product name 1 | | | | | | | | | | | | | | | | | |
| Product 2 | | | | | | | | | | | | | | | | | |
| Product 3 | | | | | | | | | | | | | | | | | |
| Product 4 | | | | | | | | | | | | | | | | | |
| ..... | | | | | | | | | | | | | | | | | |
| **Product group** | | | | | | | | | | | | | | | | | |
| Product name 1 | | | | | | | | | | | | | | | | | |
| Product 2 | | | | | | | | | | | | | | | | | |
| Product 3 | | | | | | | | | | | | | | | | | |
| Product 4 | | | | | | | | | | | | | | | | | |
| ..... | | | | | | | | | | | | | | | | | |

**Sales profits ( )**

| Product category | 1998 | | | | | 1999 | | | | | 2000 | | | | | 2001 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 |
| **Product group** | | | | | | | | | | | | | | | | | |
| Product name 1 | | | | | | | | | | | | | | | | | |
| Product 2 | | | | | | | | | | | | | | | | | |
| Product 3 | | | | | | | | | | | | | | | | | |
| Product 4 | | | | | | | | | | | | | | | | | |
| ..... | | | | | | | | | | | | | | | | | |
| **Product group** | | | | | | | | | | | | | | | | | |
| Product name 1 | | | | | | | | | | | | | | | | | |
| Product 2 | | | | | | | | | | | | | | | | | |
| Product 3 | | | | | | | | | | | | | | | | | |
| Product 4 | | | | | | | | | | | | | | | | | |
| ..... | | | | | | | | | | | | | | | | | |



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## *Sales performance by product group*

- Product group (e.g. beer, mineral water, carbonated drinks, etc.) by volume (units)

| Product category | 1998 | | | | | 1999 | | | | | 2000 | | | | | 2001 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 |
| **Product group** | | | | | | | | | | | | | | | | | |
| Product name 1 | | | | | | | | | | | | | | | | | |
| Product 2 | | | | | | | | | | | | | | | | | |
| Product 3 | | | | | | | | | | | | | | | | | |
| Product 4 | | | | | | | | | | | | | | | | | |
| ..... | | | | | | | | | | | | | | | | | |
| **Product group** | | | | | | | | | | | | | | | | | |
| Product name 1 | | | | | | | | | | | | | | | | | |
| Product 2 | | | | | | | | | | | | | | | | | |
| Product 3 | | | | | | | | | | | | | | | | | |
| Product 4 | | | | | | | | | | | | | | | | | |
| ..... | | | | | | | | | | | | | | | | | |

- Product group (e.g. beer, mineral water, carbonated drinks, etc.) by turnover ( , etc.)

| Product category | 1998 | | | | | 1999 | | | | | 2000 | | | | | 2001 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 |
| **Product group** | | | | | | | | | | | | | | | | | |
| Product name 1 | | | | | | | | | | | | | | | | | |
| Product 2 | | | | | | | | | | | | | | | | | |
| Product 3 | | | | | | | | | | | | | | | | | |
| Product 4 | | | | | | | | | | | | | | | | | |
| ..... | | | | | | | | | | | | | | | | | |
| **Product group** | | | | | | | | | | | | | | | | | |
| Product name 1 | | | | | | | | | | | | | | | | | |
| Product 2 | | | | | | | | | | | | | | | | | |
| Product 3 | | | | | | | | | | | | | | | | | |
| Product 4 | | | | | | | | | | | | | | | | | |
| ..... | | | | | | | | | | | | | | | | | |



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Product group (e.g. beer, mineral water, carbonated drinks, etc.) by profit ( , etc.)

| **Product category** | **1998** | | | | | **1999** | | | | | **2000** | | | | | **2001** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 |
| **Product group** | | | | | | | | | | | | | | | | | |
| Product name 1 | | | | | | | | | | | | | | | | | |
| Product 2 | | | | | | | | | | | | | | | | | |
| Product 3 | | | | | | | | | | | | | | | | | |
| Product 4 | | | | | | | | | | | | | | | | | |
| ..... | | | | | | | | | | | | | | | | | |
| **Product group** | | | | | | | | | | | | | | | | | |
| Product name 1 | | | | | | | | | | | | | | | | | |
| Product 2 | | | | | | | | | | | | | | | | | |
| Product 3 | | | | | | | | | | | | | | | | | |
| Product 4 | | | | | | | | | | | | | | | | | |
| ..... | | | | | | | | | | | | | | | | | |

## *Sales performance by client*

**Sales by client (volume – units)**

| **Client** | **1998** | **1999** | **2000** | **2001** |
|---|---|---|---|---|
| Client 1 | | | | |
| Client 2 | | | | |
| Client 3 | | | | |
| Client 4 | | | | |
| Client 5 | | | | |
| Client 6 | | | | |
| ..... | | | | |
| Total | | | | |



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**Sales by client (turnover - value)**

| Client | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|
| Client 1 | | | | |
| Client 2 | | | | |
| Client 3 | | | | |
| Client 4 | | | | |
| Client 5 | | | | |
| Client 6 | | | | |
| ..... | | | | |
| Total | | | | |

**Sales by client (profit - value)**

| Client | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|
| Client 1 | | | | |
| Client 2 | | | | |
| Client 3 | | | | |
| Client 4 | | | | |
| Client 5 | | | | |
| Client 6 | | | | |
| ..... | | | | |
| Total | | | | |



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## 2 *Distribution*

| | |
|---|---|
| **Objectives** | Distribution capability constitutes a strategic advantage in the New Independent States. As companies scale up to become first regional, then national players, they face significant barriers to success due to infrastructure and transport capacity.<br>The objectives of the distribution analysis are to determine whether or not the distribution and logistics function is treated as a strategic function and what cost basis is in effect. This refers to both incoming and outbound segments, i.e. both supply chain as well as finished products.<br>Distribution issues are usually most prevalent in:<br>• FMCG companies with a high fixed production capacity and high seasonality of sales (e.g. beer and vodka producers)<br>• Companies in geographically isolated regions<br>• Companies dependent on exports (e.g. Central Asian companies exporting to Russia; Ukrainian companies exporting to Russia)<br>• Companies that depend on a mix of own transport capacity as well as customer capacity, where physical loading space and scheduling become major factors.<br>In addition to purely physical or cost issues, the analysis should also cover the terms of exclusivity and co-operation with third-party intermediaries, e.g. wholesalers, distribution companies, trading companies, etc. In this case, some factors to be analysed include:<br>• Terms of exclusivity of agreement<br>• Quality of distributors<br>• Efforts made to improve or train distributors<br>• Incentives and other performance indicators |
| **Responsibilities** | Positions responsible for distribution usually include:<br>• Chief of inventory<br>• Transport chief<br>• Marketing and sales department |

| | |
|---|---|
| **Process** | The research is usually implemented through internal company interviews with relevant positions. In some cases, it may be necessary to seek feedback from company clients. The analysis should also watch out for major strategic decisions which may drastically affect distribution capacity and fulfilment time, e.g.:<br>• Switch to a direct sales and distribution model<br>• Investment in or expansion of a geographically distant production site (e.g. a mineral water source depending on a specific spring)<br>• Decision to export |
| **Methods** | • Personal interviews<br>• If available, time fulfilment data and cost data |
| **Tools** | Although there are several very sophisticated modelling and analytical methods available, it is usually most effective to demonstrate:<br>• Cost basis or amortisation of distribution capacity<br>• Scheduling difficulties or issues during high season of production and sales<br>• Customer satisfaction (including both "OEM" or retail clients, as well as distributors, wholesalers or other intermediaries)<br>• Potential competitor comparisons |
| **Outputs** | • A basic analysis of current distribution performance<br>• An understanding of training and non-training needs required to support this function |
| **List of resources** | |

### *Distribution checklist*

- What is your company's distribution strategy? Do you rely on own resources, intermediary resources, or client resources?
- Is there a geographic exclusivity of supplier or distributor?
- Is there a segmentation of distributors that may affect your price basis? Do you have an A-B-C credit policy (or similar pricing incentive strategy) for clients/distributors?
- What methods are used to transport your finished products to your customers?
- What methods are used to receive finished products in your factory?
- Do you use any kind of logistics management software?
- Are there any seasonal challenges in distribution?

- How long does it take for you to fulfil an "average" order for your clients? Are there any geographic or regional differences in fulfilment times?
- How long do your competitors require?
- How do you support your distributors? With training? Equipment? Financial incentives?
- Do you see your distribution partners as allies or competitors?
- Do you have any plans to switch to direct sales in the near future?
- How much of the final wholesale/retail price do distribution costs or mark-up represent?
- What kind of training or other HR measures could support your distribution function?

## 3 *Manufacturing and production*

| | |
|---|---|
| **Objectives** | The objectives of the analysis are to:<br>• Analyse the effectiveness of the manufacturing and production capacity<br>• Determine overall competitive advantages or challenges in the present situation<br>• Correlate whether or not current and planned manufacturing systems will support the corporate strategy<br>• Determine whether or not training is required and would support the general corporate strategy<br>If the company is ISO (International Standards Organisation), GMP (good manufacturing practice), GLP (good laboratory practice) or HACCP (hazard analysis critical control point) certified, this can include certain basic tests on degree of implementation and understanding of these norms. Some examples include:<br>• Presence and use of a corporate quality manual<br>• Data on defect or spoilage rates<br>• Whether or not proper hygienic requirements are in effect (e.g. staff changing and washing rooms; use of hairnets, gloves and clothing, etc.)<br>Finally, if the production is made on specific process equipment, such as Tetra Pak filling and packaging lines, the metrics in terms of spoilage, efficiency, scheduling, etc. will be well-established. |
| **Responsibilities** | • Director of production<br>• Unit/departmental director: quality<br>• Laboratory director |

| | |
|---|---|
| **Process** | The analysis is usually implemented on three levels:<br>• Office interviews with key staff<br>• Factory tour/work inspection<br>• Review of available data and comparison with rated equipment norms |
| **Methods** | Interviews<br>• Factory tour<br>• Work observation<br>• Analysis of production data<br>• Analysis of equipment specifications |
| **Tools** | Again, there are several sophisticated models that can be applied to determining manufacturing effectiveness. Unless the terms of reference specifically include implementing such an analysis, it is recommended to keep the analysis simple. The objective is not to develop an efficient manufacturing model for the client, but to determine:<br>• Whether or not there are any major shortcomings<br>• How training could improve the situation |
| **Outputs** | • Suggested training courses to improve productivity and operations<br>N.B. In addition to training, the use of performance-based incentives is often a successful means of improving efficiency in manufacturing. The consultant/trainer may wish to recommend solutions in addition to training, e.g. individual and team incentives for reducing defects or spoilage, downtime, etc. |
| **List of resources** | |

**Manufacturing checklist**

- What kind of machinery are you using for each stage in the production process?
- How old is this equipment?
- What is the rated production capacity in terms of units output/day/week/year?
- How much are you actually producing now?
- How many shifts per day do you work?
- Is there a seasonal impact on manufacturing?
- What kind of maintenance schedule do you have?
- What percentage of your current production is spoiled or defective?
- How many days/weeks/months of raw materials/inputs do you have on-site?

- Are you certified for any quality management systems?
- Where do you find skilled production staff?
- How do you train your production staff?
- Are there any incentives or motivational elements in compensation for production staff?
- What are the most specialised positions in your production line?
- Do you train line staff up to this position, or do you recruit externally?
- Where do such specialists receive their technical training?

## 4 *Supply chain management*

| | |
|---|---|
| **Objectives** | Supply chain management is another critically important yet often overlooked corporate function that is of strategic importance. Managing the supply chain will determine not only the efficient use of manufacturing capacity, but will also affect corporate cash flow and liquidity in a very important way. The objectives of the analysis here are to determine whether or not the company:<br>• Has a strong materials supply or material replenishment order (MRO) forecasting methods<br>• Has a strong degree of control over incoming raw materials, production inputs, spare parts and other items necessary for operation<br>• Is able to manage its inventory<br>• Has a supplier policy in place<br>• Could benefit from training to improve corporate performance<br>The consultant/trainer should not automatically assume that concepts such as JIT (just in time) manufacturing can be applied. In many cases, domestic suppliers are not working at the same performance levels as in the west. Furthermore, significant delays can be encountered in customs clearance of imported goods or transport of goods to geographically distant locations. |
| **Responsibilities** | In the New Independent States, there is usually an inventory unit manager responsible for establishing supply needs in conjunction with the production manager. An "act" is usually filled out, which is passed on to the corporate purchasing officer or other relevant person in the finance and accounting department or at the general management level. |
| **Process** | Interviews with responsible offices should be implemented *after* the manufacturing and production analysis has occurred. |
| **Methods** | • Personal interviews |

| | |
|---|---|
| **Tools** | It is usually sufficient to measure ratios such as:<br>• Production inputs stock on hand (in terms of time units for production)<br>• Production spare parts stock on hand<br>• MRO fulfilment times<br>• Descriptions of potential problems of cost reduction potential |
| **Outputs** | • Outline of potential training needs to support and improve supply chain management function |
| **List of resources** | |

**Supply chain management checklist**

- What are your main production inputs?
- What are your main spare parts inputs?
- Who are your main suppliers?
- Are there any import issues involved in getting your supply needs?
- Are there any transport issues in getting your supply needs?
- How long does it take to get raw materials/production inputs?
- How long does it take to get spare parts?
- How many days production supply do you have on hand now?
- What kind of relationship do you have with your suppliers?
- Have you even been in a situation where it has been impossible to produce/operate due to lack of materials or spare parts?
- Is there a seasonal impact on your production?
- How do you deal with incoming materials in this case?
- Are you using any kinds of management software to support supply chain functions?
- Are you sourcing at all using e-commerce or the internet?
- What are the training needs present in this function? Could training support your work?
- What are other needs you may have, in terms of human resources management or organisational development?

## 5 *Purchasing*

| | |
|---|---|
| **Objectives** | Purchasing is closely related to supply chain management, manufacturing and of course finance and accounting. Many companies choose to recognise purchasing as a separate core competence, due to the potential for maximising pricing benefits as well as bargaining power. It is a strategic function, which is all the more critical in the New Independent States due to the difficult and often-changing macroeconomic or trade climate: currency fluctuations, excise taxes, tariffs, price gouging of certain raw material inputs, etc.<br>The objectives of the purchasing analysis are to determine to what extent:<br>• Purchasing is structured to maximise benefits to the company<br>• Purchasing is harmonised with cash flow and MRO/supply chain needs<br>• External factors, such as raw material price fluctuations, currency depreciation (or inflation), excise taxes and tariffs, etc. are taken into account in the purchasing function<br>Again, the overall objective is to see how training could improve this function, rather than to recommend the optimal purchasing system. |
| **Responsibilities** | Responsibilities are highly variable. In some companies, there is a director or vice president for purchasing (or similar position). In other companies, all purchase decisions run through the general manager. In other companies, it is the responsibility of the accounting and finance department. |
| **Process** | Usually personal interviews, after the manufacturing, supply chain and possible finance and accounting interviews have been implemented. |
| **Methods** | Personal interviews are usually the only effective form of research. |
| **Tools** | In the West, there are entire consultancies (or branches of consultancies) dedicated to the art of purchasing. Companies such as Alcoa or IBM will pay industry specialists such as McKinsey fees approaching 400,000 *per month* for purchasing analysis projects.<br>In the New Independent States, it may be better to establish some basic indicators or areas where efficiencies could be gained. If a purchasing-specific project is foreseen, more advanced techniques will be required. |
| **Outputs** | An understanding of the current situation regarding purchasing, and the training inputs required to improve this function. |
| **List of resources** | |

### *Purchasing checklist*

- What are your main raw materials/spare parts requirements?
- When do you buy these? Is there a seasonal impact?

- To what degree of accuracy can you predict your purchasing requirements? On an order basis? On a time basis? (per week, per month, per year...).
- Is there a linear relationship between your production levels and your raw materials inputs?
- What main purchasing decisions do you face in the next 12 months for non-operating (production) expenses?
- How do you negotiate purchasing contracts?
- If you were to increase the contract amount, what kind of price reduction could you achieve?
- Can you achieve a term of payment reduction/increase?
- Who are your main suppliers?
- What kind of relationship do you have with them?
- How often do you change suppliers?
- What share of business does your company represent to your suppliers?
- Who decides on purchasing within your company?
- What share of your purchasing requirements are sourced domestically? Are imported?
- Are there any financial impacts due to the place of purchase?
- Have you participated in any training courses for purchasing management?
- What kind of training would you be interested in?

## 6 *Quality management*

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| **Objectives** | Quality management refers to the method of ensuring the quality of both finished products but also processes, including functions such as customer service, hygiene, etc. Today, quality management systems (QMS) are in widespread use, and include such well-known standards as:<br>• ISO (International Standards Organisation)<br>• HACCP (hazard analysis critical control point)<br>• GMP (good manufacturing process)<br>• GLP (good laboratory practice)<br>• Kaizen (a Japanese system for continual improvement)<br>• Six Sigma (a form of quality control popular in leading US corporations such as General Electric)<br>In addition to these requirements, there is a vast array of technical product specification requirements instituted by such institutions as the European Commission, the USFDA or other authorities. Finally, many equipment manufacturers will specify the quality of finished products, or technical tolerances, etc. expected on their lines.<br>The objective here is not to promote a specific quality management system, but:<br>• To determine whether or not a QMS is needed<br>• To ensure that if there is a system in place, if has been implemented in practice and not in theory<br>There are unfortunately many examples of QMS standards that have been "bought" by companies that get the recognition of the standard without actually implementing the requirements of the standard. Training is a major part of the success or failure of any QMS, and often an analysis of the types of training implemented will determine the system's success or failure. |
| **Responsibilities** | Most systems require the nomination of a specific quality manager. In each case, the ultimate responsibility lies with the line worker, who must have the responsibility of interrupting the production process or withdrawing a product from the line. |
| **Process** | The consultant/trainer should implement interviews with relevant management figures as well as line staff. Observation of the production line is a major method of analysis. In some cases, it many be possible to review documentation, such as a quality manual, production data or equipment specifications. |
| **Methods** | • Personal interviews<br>• Line/work observation<br>• Review of data |

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| **Tools** | There are a series of tools available depending on the degree of resolution required. These include:<br>• Statistical sampling<br>• Product sampling<br>• Review of manuals and instructions<br>• Review of processes<br>Again, unless there is a specific brief for highly specialised training, it is usually enough to demonstrate some practical examples that establish the basis for training. |
| **Outputs** | • Outline of potential training needs to support and improve quality management. |
| **List of resources** | |

## *Quality management checklist*

- Is there a quality management system in place?
- When did you receive it/qualify?
- How often are internal audits carried out, if required? Who makes these audits?
- What are the machine-established defect/breakage/spoilage rates for each product category?
- Are you in line with these rates?
- What do your customers say?
- Is your QMS accepted in all parts of your company?
- Do you have wider management buy-in?
- Is there a method of getting feedback from the production line?
- What kind of training have you implemented in the process of setting up your QMS?
- Do you implement ongoing training?
- What kind of training would be useful to you at this point in time?
- What kind of other support do you receive for your QMS (documentation, newsletters, etc.)?

## 7 *Finance and accounting*

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| **Objectives** | There are two objectives in analysing a company's accounts and financial management system: financial viability and management ability. The objective of the financial viability analysis is to determine whether:<br>• The company is profit or loss-making<br>• Key points in the annual (and lifetime) financial life of the company, such as cash flow, break-even, debt/equity, etc<br>• The overall value of the company, expressed either through a market valuation of assets and goodwill, or through a set of indicators such as return of investment (ROI), return on equity (ROE), earnings before interest, taxes, depreciation and amortisation (EBITDA) or the Stern-Stewart method of Economic Value Added (EVA) (several other valuation indicators exist)<br>• The overall debt/equity ratio which, combined with cash flow and total profitability, indicates the amount of capital a company can commit to future development projects<br>• If there is significant corporate debt, this has to be analysed for the term of loan (maturity), the interest rate, and the potential for re-financing. In the New Independent States, it is important to know the denomination of the loan ( , Yen, Tenge, etc.), as well as the denomination of sales. In the West, a 30 to 40% debt/equity ratio is considered sustainable, while 60% or more is considered high risk, to some extent depending on the sector of operations.<br>This type of analysis is usually implemented through a review of a corporate balance sheet, provided that the balance sheet is stated according to IAS (international accounting standards) or GAAP (general accepted-accounting principles). In addition to the main financial indicators, a balance sheet can also give valuable information on corporate management functions, such as:<br>• The ratio of total spent on marketing and sales to total expenditure<br>• The remuneration of staff<br>However, a balance sheet will only indicate these amounts, and specific questions must be asked of management to get the exact budgets for personnel and marketing.<br>Finally, a balance sheet analysis will reveal historical information about the company, which may cast a less positive (or more realistic) light on corporate management than its directors normally will. If an analysis of the past three balance sheets indicates a financial loss in the preceding year, an external consultant (or banker, or insurance specialist) will have cause for concern, and will need to evaluate the reasons behind these losses. |

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| Objectives (Cont.) | In addition to a standard balance sheet analysis, it is necessary to analyse specific financial information, including:<br>• The profit/loss (p/l) of each product or product category. This is often calculated in two ways: cost of production (the manufacturing cost of an item, without operating or overhead costs), and total (gross) cost, which adds all additional costs<br>• In some cases, corporate pricing strategy also has to be taken into account. There are (at least) two methods of price formation: the cost - price method, in which the real costs are built and a price set, and the value pricing method, in which the price is set based on the relative value of the product in a competitive market<br>• The pricing discount or credit policy. In many cases, this is a function on volume sold to individual distributors or clients<br>If the company has a pricing/credit policy, it is often useful to review the methods and transparency of this policy. Some companies use an A-B-C method of credit policy. This is often used by companies with a non-exclusive distribution or sales structure. For companies that use an exclusive distribution structure, there are often set discount rates or pricing bands, which enable the retail rate of a product to be kept at a uniform level. |
| **Management ability** | Management ability indicates the extent to which management is able to understand modern financial management and then build prices and indicators accordingly. This is often directly understood if a company is using internal IAS/GAAP standards (but using a parallel accounting system to comply with national tax/accounting requirements).<br>If an IAS/GAAP system is not in use, the financial analysis will be much more difficult to implement, because many national accounting systems do not require a direct allocation of financial costs to specific products/product lines. (The former accounting systems enable a distribution of costs from loss-making lines to profitable lines in order to "balance" the overall financial result).<br>In this case, a consultant will have to determine to what extent corporate management:<br>• Understands true p/l performance of individual products and product lines<br>• Has a clear indication of profitability on a client basis<br>• Is able to work with internal break-even and cash flow projections<br>There are no easy solutions to this, and it will often require an in-depth review of the balance sheet in close co-operation with the financial director to understand the method of calculation used.<br>All of these are necessary, particularly if a company is investing in a new product line, building a new factory, developing a new business plan, etc. Without a proper assessment of real financial costs and profits (which also depends on market analysis and sales forecasts), the risk of the venture increases. This is not say that the venture will automatically fail, but that the risk of failure will be higher. |

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| **Responsibilities** | Director of finance and accounting<br>Other personnel involved: general manager, purchasing manager, etc. |
| **Process** | The consultant/trainer should get a feeling for the general financial state of the company and its accounting system through interviews. This should be followed by a review of balance sheets, p/l accounts, etc. Detailed questions may be asked in subsequent interviews. |
| **Methods** | There are extremely detailed and numerous techniques for financial analysis. The simplest ones are often the most suitable, unless a detailed training programme/needs analysis identification is required. |
| **Tools** | A basic spreadsheet analysis is recommended, unless future training foresees the use of more sophisticated software such as Hyperion, Sage, SPSS, or others. |
| **Outputs** | • Outline of potential training needs to support and improve the finance and accounting function |
| **List of resources** | |

## *Human resource management functions*

The management tool kit approaches the function of human resource management (HRM) based on the principle that corporate human resource policies have to support the overall aims and priorities of a company's business strategy. It also implies that human resources policies themselves have to be based on a strategic, or integrated, approach.

The concept of strategic human resources management may be seen as an integrated, holistic one. It starts out with an analysis of the company's mission, corporate goals, objectives and strategy, and designs a human resources strategy to support these elements. This HR strategy has to be clearly resourced and have adequate management oversight as well as day-to-day responsibilities and staffing.

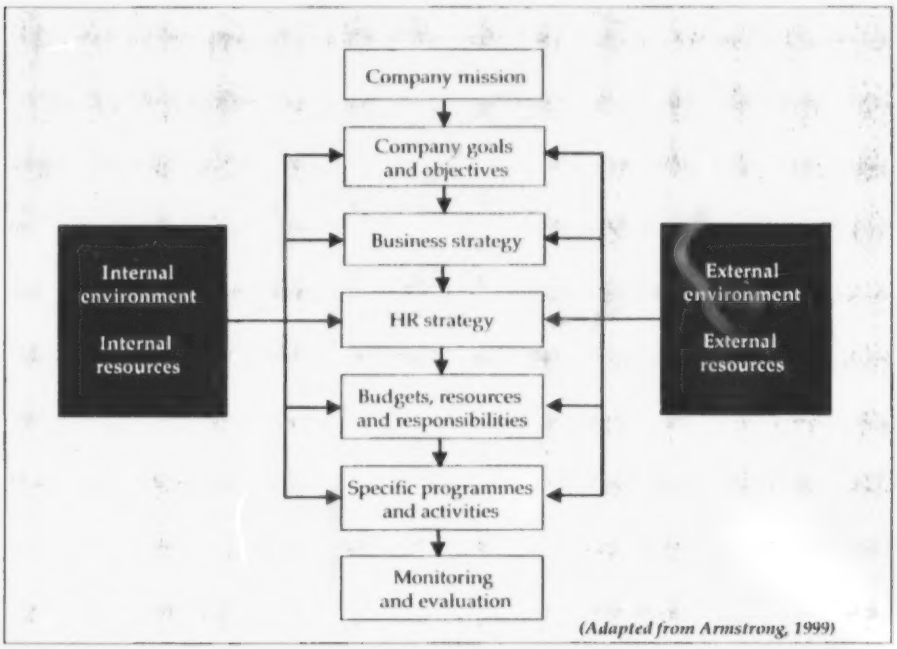
The HR strategy must give rise to specific programmes and activities. These may include:

- Management development initiatives
- In-house training activities
- External training activities
- Performance management and review systems
- Compensation development
- Employee retention and loyalty programmes

- Corporate culture development
- Recruitment and identification planning

and a variety of other functions. The key issue in adopting a strategic approach is that the initial objectives are monitored within a given time frame. Results and achievements are measured, and the strategy can be continually adjusted and improved to render the best results.

***Figure 18: The strategic human resources management process***




At each stage in the process, the strategy will be influenced by the internal and external environment and resources. The environment refers not only to macroeconomic or regulatory environment, but also to the mentality and acceptance of change of the staff positions involved. 'Resources', in turn, implies not only financial resources, but sources of training and expertise, the pool of workers available, etc.

This tool kit will focus on the role and potential of management development and training within the broader strategic human resources development process.



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## 1 *The HR function*

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| Objectives | The objectives of this analysis are to determine:<br>• Whether the HR function (in the modern sense of the word) exists in the company<br>• The skills and experience of the specific person/position<br>• The resources available for HR<br>• The degree to which HR is accepted by other managers<br>There should be a clear differentiation between the function and the specific position. In many cases in the New Independent States, HR is handled directly by a senior manager, director or even the chief executive. While this does not preclude the existence of a fully-fledged HR function and HR orientation in the company, it may be that conflicting demands on time and resources make real, ongoing human resources management difficult to achieve. |
| Responsibilities | There is usually a "personnel director" or even an HR director in most companies. However, this position usually reports to a director of administration or as a separate staff position directly to the general manager. |
| Process | The analysis usually begins with an inquiry into who is responsible for HR management in the company. Detailed interviews can then commence with the specific person. Document reviews of job descriptions, HR policies, training programme content/curricula and similar documentation are also useful.<br>There are rarely fully-fledged HR functions in companies in the New Independent States, and most managers do not hesitate to inform external consultants or trainers that the HR function is usually devoted to personnel administration (vacation time and payroll accounting). |
| Methods | • Personal interviews<br>• Documentation reviews, including performance reviews, training programme content, corporate HR strategies, etc.<br>• If necessary, cross-check with other managers/staff |
| Tools | Usually restricted to functional interviews to determine job functions. However, it is also possible to review HR documentation, if this exists. |
| Outputs | The main output is an indication of whether or not HR exists in a company in the modern sense of the word. An additional output includes the training needs and process improvement potential of the function. |
| List of resources | |

## *Human resources function checklist*

### *The HR manager*

- Who is responsible for HR functions in the company?
- What are his/her (your) tasks?
- What is his/her (your) background in HR?
- Could you please list a few examples of HR initiatives recently undertaken (by this person)?

### *The HR position*

- Does this position have an official budget?
- How long has the position been in operation?
- Who does this position report to?
- Is there an HR oversight committee at the board or senior director level?
- What other departments does this position interact with?

### *The HR function*

- Is there an HR strategy?
- How are HR priorities set among different organisational units?
- Do you implement annual, quarterly or other planning?
- What are some regular HR activities implemented within the company?
- How is compensation set?
- How is performance assessment determined?
- Have you implemented any training programmes recently?
- Personal skills and qualifications of the HR manager
- What is your background in human resources?
- Have you attended any training courses of supplementary education in this field?
- What kind of work experience do you have in this field?
- Is there any kind of training you would like to undergo?
- What are some of the main challenges you face in your job?
- Is your position accepted by other managers?
- Do other managers accept the need for human resources management?

## 2 *HR planning*

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| Objectives | The objectives of the analysis are to determine whether or not:<br>• The company has a clear indication of what HR resources are needed to achieve its strategic goals (in terms of people, training, etc.)<br>• Corporate strategic planning and business planning take human resources into account<br>• Basic demand forecasting, scenario planning, labour market monitoring and resource identification measures are in place<br>• The company analyses key ratios in the existing workforce, including age distribution, turnover, length of service, survival life, etc.<br>• Corporate managers are aware of this aspect of operations within their broader management or functional responsibilities<br>Further components associated with HR planning, including compensation, retention and recruitment are critical enough in the New Independent States that they have been covered as separate sections.<br>HR planning may also extend to the identification of training providers or other specialists, which can often be a major issue in some New Independent States. |
| Responsibilities | In formal terms, HR planning is usually the remit of the HR manager. However, the function is of such importance that no corporate strategy, corporate business plan or even departmental plan is considered complete without a reference to HR planning and HR needs.<br>In the New Independent States, managers often realise the importance of human resources planning, particularly for skilled, "specialist" positions, such as engineers, marketing experts, etc. It is difficult, however, to determine specific HR plans, beyond a general affirmation that a problem exists. |
| Process | There is a two-track process involved:<br>• The HR manager must be interviewed to determine the extent to which HR planning exists in the company, as well as to review specific plans, priorities, objectives, budgets, etc.<br>• Individual managers must be interviewed to determine to what extent HR planning is a viable (and visible!) part of their work |
| Methods | The main methods are the personal interview and document analysis. It is often necessary to compare not only the stated strategy or business objectives, but also the past record of implementation. In this respect, employee records of the past two to three years may be invaluable, but should in each case be correlated to business development and business conditions. (The August 1998 rouble devaluation should in particular be taken into account in measuring past performance). |

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| Tools | There are a number of tools available:<br>• Scenario planning<br>• Demand forecasting: managerial judgement; ratio-trend analysis; work study analysis; modelling<br>• Supply forecasting: existing HR; potential losses; potential changes; changing work conditions; supply from within the organisation (through rotation or promotion) to external sources<br>• Turnover/waste analysis: turnover index (number of leave-takers versus new entrants); stability index (based on employment of over a given time period); length of service; survival rate, etc. |
| Outputs | The outputs of this analysis are critical to the overall treatment of gap analysis and management development planning. HR planning analysis will clearly indicate whether or not the company has a viable human resources function, and where the specific training and non-training needs are.<br>In addition to determining the presence or absence of certain key ratios, it is also important to gain an understanding of why some ratios are at present levels. For instance, a retail company may have a turnover rate of 45% in first-year unskilled employees. An important part of the analysis would be to determine what part of the corporate HR policy is responsible for this rate. (e.g. low payment; bad entry-level training; long hours; harassment; dangerous work conditions, etc.). |
| List of resources | |

### *HR planning guidelines*

- Do you have a formal HR plan?
- How do you calculate HR demand?
- What are some sources of recruitment?
- What are the major staff positions that will be added over the next six months? 12 months? 18 months? 24 months?
- What are the major new skills, knowledge and/or competencies that will be required in the next six months? 12 months? 18 months? 24 months?
- What kind of employee turnover do you have? Is this segmented by years/months of experience? By position? By gender?
- To what do you attribute this turnover?

Some key ratios to be determined include:

***Staff turnover ratio***

$$\frac{\text{Number of leavers in a given time period (e.g. 1 year)}}{\text{Average number of employees in same period}} \textit{ X 100}$$

***Stability ratio***

$$\frac{\text{Number of staff with 1 year of service or more}}{\text{Number of employed 1 year ago}} \textit{ X 100}$$

## 3 *Recruitment and selection*

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| Objectives | The objectives are to determine how the company sets about identifying, attracting, evaluating and recruiting new employees. Recruitment is a strategic function, particularly for skilled, specialist positions that are often not well supplied.<br>The analysis of the recruitment process should take the entire recruitment cycle into account, i.e.:<br>• Defining requirements (in conjunction with the HR planning section)<br>• Attracting candidates<br>• Advertising<br>• Outsourcing and selection<br>• Applications sorting<br>• Evaluation and selection methods<br>• Process improvement<br>• References and offers<br>• Follow-up arrangements<br>• Database management |
| Responsibilities | The responsibility for recruitment often lies with specific departmental managers in the New Independent States. The process of skills screening or employee evaluation is often not well developed, and there is rarely a company-wide policy. Furthermore, there are a number of government-mandated legal requirements for employment which often take precedence in determining a person's employment. And, as with all companies, there is sometimes a tendency to favour people known to certain managers, or people with an excellent resume (which is never checked). |
| Process | The process occurs at two main points in the company:<br>• The HR/personnel manager has to be interviewed to determine the general corporate policy and recruitment procedure, if there is one in effect<br>• Departmental managers (or even the general manager, in some cases) have to be interviewed to determine how they specifically implement recruitment and selection procedures; whether or not they are aware of a general company policy; how they implement this, etc.<br>In some cases, it is possible or necessary to confirm this policy by interviewing recent corporate hires to determine whether or not these procedures were really implemented; the quality of implementation, etc. |
| Methods | • Review of recruitment policies<br>• Staff interviews (HR manager, departmental managers, possibly staff employed recently) |

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| Tools | There are a number of tools employed by HR managers to determine skills profiles and personnel suitability:<br>• An important methodological tool to emerge since the mid-1990s is the competency-based approach. This is simply a set of methods of establishing the key characteristics of a particular position, and provides a quicker and easier evaluation methodology<br>• Psychological or psychometric testing involves methods of determining psychological profiles of potential recruits<br>• The assessment centre approach, which will include not only qualifications reviews but also problem-solving and sample task implementation during the interview process<br>• Person specifications, which often include specific categories such as competences; qualifications and training; experience; specific demands; organisational fit; special requirements; meeting candidate expectations<br>• The seven-point plan, developed in the 1950s, including physical make-up; attainments and qualifications; general intelligence; special aptitudes; interests; disposition; circumstances. This is still used in different situations around the world |
| Outputs | The outputs of this process are to evaluate the current recruitment and selection process to determine whether or not it supports the corporate HR policy as well as the wider corporate strategy. If not, then recommendations for process improvement and training can be made. |
| List of resources | |

### *Recruitment and selection guidelines*

- What are your specific personnel needs over the next 6 - 24 months?
- Have you determined qualifications profiles or skills profiles for these positions?
- Could we review two to three such profiles?
- How will you recruit these individuals?
- Where will you advertise?
- Do you know of such individuals you can recruit from other companies?
- Why would they choose to work for your company? What can you offer them?
- How do you intend to motivate them?
- How will you check their suitability?
- How will you check their actual skills?
- How many references will you check?
- Will you implement any kind of assessment centre during the interview process?

## 3 *Career planning and development*

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| Objectives | Career planning and development is often needed to attract and retain skilled staff positions as well as certain management positions. In the West, it is considered beneficial among some professional categories to carry out a company rotation every two to five years. This trend has been particularly prevalent during the "dot com" boom of the mid- to late 1990s, when several labour markets (and particularly the US market) grew overheated and professionals were in high demand.<br><br>This indicates that a manager or employee has experience in a wide variety of positions and companies. There are, however, several drawbacks for an employer to this practice, not least of which are the costs of hiring and re-training new staff.<br><br>In the New Independent States, a similar practice is seen in younger, western-educated professionals, who are often concerned with maximising their short-term remuneration. Such professionals are definitely in high demand, and can often command western salaries (i.e. over 100,000 for a western MBA qualification), where a "normal" manager may be happy with 12,000 to 16,000.<br><br>Given that staff reward through equity participation is still very limited in the current business environment in the New Independent States, the only other way to increase professional satisfaction is through a system of career development and planning. This has two objectives:<br><br>• To ensure that the company is able to secure, develop and retain the talent it needs to ensure growth<br>• To enhance responsibilities and job satisfaction as one element in a wider staff development and retention system<br><br>A further critical aspect of career planning is succession planning: who will succeed the top management or a key position of a company in the case of a crisis or other event. This possibility is usually seen as so remote that it is almost never planned for. |
| Responsibilities | Although the HR manager is usually responsible for general planning, career development (and crisis management response requirements to the potential departure of a key manager) is usually the remit of a general manager/owner. Most career development activities today occur through necessity, i.e.:<br><br>The company opens a new office in another city and has no trusted managers to fill the position. It therefore rotates or promotes from within<br><br>A key manager or specialist is about to leave because of a better offer (of a lack of real responsibility). A last-minute remuneration package is negotiated to keep the person in place, and increased responsibilities are offered |

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| | Very rarely will a company have a forward-looking plan in place for systematic career planning and development. This is often a function of a high growth rate, a lack of understanding of the function, and an unwillingness to share real decision-making and responsibilities (particularly if a few key managers participated in the corporate start-up or equity privatisation of a company). |
| Process | The basic process of analysis is usually oriented towards the general manager or owner, who is often the only person able to make such decisions. However, the HR manager should be interviewed first to confirm that a system is or is not in place. If confirmation is required, the most appropriate people to interview are managers who have been recently "rotated", promoted or otherwise undergone the career development process. |
| Methods | The only real methods and tools available are the personal interview and potentially document or plan review. |
| Tools | Personal interviews; document reviews. |
| Outputs | An evaluation as to whether or not:<br>• This function is critical to corporate management<br>• Plans and/or systems are in place<br>• The company would benefit from process improvement and training |
| List of resources | |

- Career planning and development guidelines
- What are the critical positions in your company?
- What happens if someone in this position leaves the company suddenly?
- Do you have a succession plan? How would you cover this position in the short term?
- Do you have problems with skilled people leaving the company for better offers?
- Do you have any way of convincing them to stay?
- Do people stay in your company for the money? For the learning experience? For the culture? For the personal responsibilities?
- How long does the average manager stay in a position? (correlate with the HR planning analysis).
- Would the company benefit from rotating young mangers between different posts?
- Do key positions/managers have a career development plan?

## 5 *Compensation*

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| Objectives | Compensation is a mission-critical task in the New Independent States business environment today. The level of total remuneration will often determine the professional objectives of skilled specialists who can be critical to the success or failure of a company in an increasingly competitive market.<br>The objectives of this analysis are to determine:<br>• The structure of the overall compensation process<br>• Direct and indirect compensation mix (base pay and additions to base pay)<br>• Corporate versus employee perceptions and objectives<br>• Methods of deciding compensation award |
| Responsibilities | Responsibilities are often divided between:<br>• General manager/owner<br>• Financial manager<br>• HR/personnel manager |
| Process | The analytical process involves:<br>• Reviewing any formal compensation documentation<br>• Interviewing these key positions to determine overall policy, priorities and compensation systems<br>If necessary, interviewing key staff members to determine perceptions and satisfaction (this is nevertheless an extremely sensitive task)<br>If necessary, market comparison with benchmark companies in similar and/or related sectors |
| Methods | Personal interviews and document reviews |
| Tools | Apart from employee satisfaction and possibly value benchmarking against competitors/other companies, there are no systematic methods of evaluating compensation systems. Some indicators to be aware of include:<br>• The general concept of "new pay", i.e. evaluating compensation not based on filling a specific task or function, but on the value of a specific person in the market according to specific skills, may be useful, providing this does not distort the existing compensation system<br>• Including individual as well as team/departmental compensation incentives is often implemented on the production line to increase quality in a specific cell or process |
| Outputs | An evaluation of whether or not the compensation system fulfils corporate strategic and operational requirements, or whether training and process improvement is needed. |
| List of resources | |

### *Compensation guidelines*

- What is the basic compensation system in your company? Do you use uniform pay scales?
- Can you please show us the pay scales in effect in your company?
- Is there a bonus or performance incentive?
- Is this individual-based or team-based?
- Do you differentiate pay based on educational qualifications or skills?
- How do you determine performance-based rewards?
- Are these determined by a specific manager or by a committee?
- Do you lose skilled staff because you are not paying enough?
- Who are your staff defecting to?
- What are your competitors paying?
- What could you do to improve compensation?
- Are all critical members of your organisation compensated adequately?
- Are you offering a "living wage" for the rest of your personnel?

## 6 *Performance management*

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| Objectives | Performance management is the main system for determining:<br>• Whether or not an employee is meeting basic contractual obligations<br>• Whether or not the employee is growing within his/her position, and can be promoted or rotated<br>• To what extent the company is improving and developing the capabilities of individuals and teams<br>• The viability of potential organisational functions and tasks<br>• Compensation benefits and rewards<br>The tendency today in the New Independent States is to focus on the task, not the person. Yet a performance management system can be a powerful tool not only for personal development, but also for staff retention and loyalty.<br>Performance management today is considered to consist of four main elements[11] :<br>• Valuing people<br>• Developing people |
| Objectives (Cont.) | • Involving people<br>• Paying people<br>The process of performance management often includes the following key activities:<br>• Role definition<br>• Performance agreement or contract<br>• Personal development plan<br>• Managing performance on an annual basis<br>• Performance review<br>Trainers/consultants should not view performance review in the narrow sense of meeting or exceeding sales targets or quality levels: the concept is much deeper and integrated into the corporate strategy itself. |
| Responsibilities | If this process is implemented systematically, it will be led by the general manager, supported by the HR manager (for process, policy and systems development), line managers (for their specific departments) and the financial manager, who will often be called to determine specific financial inputs or impacts. |
| Process | The process involves an analysis of formal or informal performance management metrics and evaluation methods. If there are formal performance agreements, these need to be reviewed. If the process is on a more informal basis, then it will be difficult to determine the precise level of application, and decisions may not be made in the same manner across the company. |

11 Armstrong M., *A Handbook of Human Resource Management Practice*, Kogan Page, 7th Edition, London, 1999

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| Methods | Usually review of formal documentation and personal interviews. Consultants/trainers should not rely extensively on job descriptions, since these rarely indicate a performance management requirement, nor are they up-to-date or accurately reflecting current responsibilities.<br>If needed, a performance management system can often be very quickly and effectively confirmed by interviewing specific staff positions to determine correlation between corporate objectives/perceptions and personal ones. If this is done, it must be done on a confidential basis. |
| Tools | Personal interviews, document review |
| Outputs | An evaluation of whether or not:<br>• Performance management exists on a systematic basis<br>• The system contributed to personal development<br>• The system supports the wider corporate strategy and HR policy<br>• The process is applied uniformly and systematically<br>• Training or process improvement is required |
| List of resources | |

### *Performance management guidelines*

- How do you define basic performance expectations?
- Do you use a system of job descriptions?
- Do these contain performance expectations? Are they up-to-date/accurate?
- How often do you evaluate performance?
- What are the rewards/feedback mechanisms?
- Who is responsible for the evaluation?
- What kinds of corporate objectives are incorporated into performance expectations?
- Do you include work plans in the overall documentation?
- How often do you update this?

## 7 *Training design and implementation*

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|---|---|
| Objectives | The final HR management function to be reviewed is the effectiveness of past training design and implementation efforts. The objectives here are to determined:<br>• How training priorities and needs were identified<br>• How training programmes were defined and planned<br>• Who implemented the training (and how they were chosen)<br>• Which target groups were involved<br>• Whether or not the training was effective, and how this was measured<br>• Whether or not follow-up activities were planned and implemented |
| Responsibilities | If there is an HR manager, he/she is probably involved in training design and implementation. Other major responsible positions include the general manager, who often has to decide on funding a training programme, and departmental managers, who similarly input into their specific unit training needs. |
| Process | The most effective process includes:<br>• Interviews with responsible decision-makers<br>• Review of training curricula and materials<br>• Evaluation of training impact and follow-up activity<br>• Interview of training participants.<br>• If possible/necessary, interview of past trainers |
| Methods | Personal interviews, document reviews |
| Tools | As above. Please also refer to chapters 5, 6 and 7 |
| Outputs | A determination of training effectiveness, design and planning, and suggestions for change |
| List of resources | |

### *Training design and effectiveness guidelines*

- Please refer to chapters 5, 6 and 7.

# List of acronyms

| | |
|---|---|
| CEO | Chief executive officer |
| EBITDA | Earnings before interest, taxes, depreciation and amortisation |
| EBRD | European Bank for Reconstruction and Development |
| ETF | European Training Foundation |
| EU | European Union |
| EVA | Economic value added |
| FMCG | Fast moving consumer goods |
| GAAP | Generally accepted accounting principles |
| GLP | Good laboratory practice |
| GMP | Good manufacturing practice |
| HACCP | Hazard analysis critical control point |
| HR | Human resources |
| HRM | Human resources management |
| IAS | International accounting standards |
| IFC | International finance corporation |
| IS | Information systems |
| IT | Information technology |

| | |
|---|---|
| ISO | International Standards Organisation |
| MBA | Master's of Business Administration |
| MRO | Materials replenishment order |
| MRP | Materials resource planning |
| OD | Organisational Development |
| OEM | Original equipment manufacturer |
| QMS | Quality management system |
| ROE | Return on equity |
| ROI | Return on investment |
| SHRM | Society for Human Resource Management |
| SME | Small and medium-sized enterprise |
| USAID | United States Agency for International Development |
| USFDA | United States Food and Drug Administration |

# List of terms

| | |
|---|---|
| **Management development** | The process of systematic development of a company's managers through training, education, career planning, job rotation, simulations, team building and similar methods. |
| **Top management** | The primary decision-makers within a company. This usually refers to a chairman, president, CEO, managing director or similar position. |
| **Senior management** | The highest level of management, including both the primary decision-maker as well as the next hierarchical unit. In most companies, this would include departmental directors as well as the managing director; vice-presidents as well as the president, etc. |
| **Line management or unit management** | The level of management within units that are hierarchically below the level of a department. Examples would include the inventory management and maintenance units reporting to the director of the production department. |
| **Department** | The primary organisational entity within a company. Typical departments include accounting and finance; marketing and sales; production. Departmental heads or directors usually report directly to top management. |
| **Unit** | A smaller-scale organisational entity reporting either to the head of a department or, for some specialised functions, to top management. An example of the former includes the head of inventory management reporting to the director of the production department; an example of the latter includes the head of the internal audit unit reporting directly to the president. |
| **Action learning** | A training or educational approach pioneered by Reg Revans which refers to a combination of theoretical and applied learning designed to impart specific tools or lessons, in which the role of experience plays a major role in the learning process. |

| | |
|---|---|
| **Customised training** | Training that is commissioned for a specific company or target group. This is usually on the basis of a needs analysis that is performed prior to the training development. |
| **Training needs identification** | The process of identifying training needs within a specific target group. This can take the form of interviews, questionnaires, document review, direct observation, review of organisational structures and business strategy, core competency analysis, etc. |
| **Non-training needs** | Those needs that are not directly related to training requirements. Examples: organisational development, business process restructuring, upgrading a computer system, etc. |
| **Needs analysis** | The process of identifying the needs within a specific company or target group. Needs are usually divided into training and non-training needs (see relevant term). Related terms may include the diagnostic review, needs identification, or gap analysis. |
| **Human resources management** | The process of managing, developing, assessing and planning the human resources needs of a company or other target group. This extends to a full range of functions, from recruitment and assessment to training, performance management, planning, job rotation, and other core functions. The term HR management is often used deliberately in contrast to "personnel" management, which is usually considered to extend to routine tasks of managing a company's workforce, i.e. salaries and payroll, vacation, sick leave, legal requirements for recruitment. |
| **Strategic human resources management** | HR management that is not only fully integrated into the strategic objectives of a company or organisation, but which also comprises a strategic priority of that company or organisation. As such, strategic HRM focuses on HR planning and forecasting as well as assessment and career planning in addition to the "standard" functions of HRM. |

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